

Edward Luce Social distancing from the world's hegemon is a painful business, especially for allies — PAGE 23

Help is on its way, Trump tells Iranians

◆ White House sends strongest signal yet of possible military intervention

◆ Protesters encouraged to ‘take over’ institutions and ‘save names’ of killers

◆ Defiant Tehran ‘ready’ to face attack and says dialogue with US still open



DISPATCH FROM TEHRAN

‘We get killed if we go out’



FT correspondent Najmeh Bozorgmehr reports from the city's turbulent streets amid deadly protests

► PAGE 6

STEFF CHÁVEZ AND ABIGAIL HAUSLOHNER — WASHINGTON
RAYA JALABI — BEIRUT

Donald Trump has said “help is on its way” for protesters in Iran as he urged them to take over the country's institutions, his strongest signal yet that the US might intervene in the country.

In a post on his Truth Social platform yesterday, the US president added that he had cancelled “all meetings” with Iranian officials until killings of the protesters had stopped.

“Iranian Patriots, KEEP PROTESTING — TAKE OVER YOUR INSTITUTIONS!!!” he wrote. “Save the names of the killers and abusers. They will pay a big price . . . HELP IS ON ITS WAY.”

Trump has been weighing a possible

military intervention in Iran, where nationwide demonstrations erupted in late December over the regime's failure to stabilise the economy.

Officials in western capitals believe the US is stepping up preparations for an attack. Asked whether US allies should evacuate Iran, Trump said: “They should get out . . . It's a good idea.”

White House press secretary Karoline Leavitt said Trump's top national security advisers, including secretary of state Marco Rubio and defence secretary Pete Hegseth, had met early yesterday to discuss options for Iran. The meeting did not include Trump, who, Leavitt said, had not planned to attend.

Activist groups outside Iran have estimated that the number of people killed

in the protests could range from the hundreds to the thousands, including members of the security forces, while many more have been detained as the regime has intensified its crackdown.

While the protests rocked Iran last week, in recent days there have been signs of some return to normality in Tehran, with people venturing from their homes to buy food and go to work.

Reporting on the crisis has been impeded by an internet blackout imposed

by the regime when the protests escalated last week, cutting off the country.

On Sunday, Trump said the US military was “looking at some very strong options” to take action in Iran and that Tehran had crossed his red line with its intensifying crackdown on protesters.

The White House subsequently said that air strikes were among the “many, many options” on the table for Trump.

“The president has shown he's unfraid to use military options if and when he deems necessary,” said Leavitt.

Defence officials have indicated that the US has the assets ready to launch an attack on Iran, even if an aircraft carrier is not in position. Possible US targets include Iran's military infrastructure, as well as that of the Revolutionary

Protesters rally on a Tehran street: activists outside Iran say numbers of those killed could range from the hundreds to the thousands — Getty Images

Guards. Washington could also hit command and control centres and warehouses used by the government and its militias, or target Iranian leaders.

Foreign minister Abbas Araghchi said Iran was ready for a military escalation. “If Washington wants to test the military option it has tested before, we are ready for it,” Araghchi said in an interview with Al Jazeera Arabic on Monday night, adding he hoped the US would choose the “wise approach” of dialogue.

Araghchi also said that communications with US special envoy Steve

Witkoff had “continued before and after the protests”, though Trump's comments yesterday threw the status of any dialogue into question.

Qatar's foreign ministry warned yesterday that an escalation “would have catastrophic results in the region”.

It added that Doha was “talking to all parties, obviously with our neighbours and our partners in the region to find a diplomatic solution”.

Trump has said his administration has been looking into how to help Iranians regain access to the internet amid the sweeping blackout, including discussions with Elon Musk over his Starlink network. He also announced a 25 per cent tariff on countries “doing business with Iran” this week.



HS2 confirmed as world's most expensive railway

HS2 is on track to win the prize for the most expensive rail line in the world, despite having little more to contend with than undulating green hills. It beats a new Lyon-Turin route that will traverse the Alps through the longest rail tunnel ever constructed, at 57.5km. Using HS2's latest estimate of £80bn — in 2024 prices — the projected cost comes out as \$537mn per km. Lavish ambition, bespoke architecture and reliance on contractors have added up.

Soaring costs ► PAGE 3

VC firm Balderton lands billion-pound jackpot with £1mn gamble on Revolut

IVAN LEVINGSTON AND TIM BRADSHAW

London-based Balderton Capital has cashed out roughly \$2bn of its Revolut stake in the past year, cementing the place of its early £1mn investment in the fintech as one of the most lucrative bets in European venture capital history and capping an exceptional year for the British firm.

The stock sales include \$1bn worth that people familiar with the matter say was announced at Balderton's annual meeting in November, as well as other deals to offload its stake last year.

They come as Revolut, founded and led by Nik Storonsky, sits at a \$75bn valuation and edges towards a flotation that could come this year. Revolut has been by far the best deal in Balderton's 25-year history, a period in which it has raised a total of \$5.7bn to invest.

The firm's fifth fund, in which the UK neobank holding sits, has returned the initial \$305mn raised from investors more than 25 times over, according to people familiar with the matter, and retains a significant chunk of its previous stake of more than 10 per cent.

Balderton led Revolut's earliest investment round in 2015, contributing £1mn of a £1.5mn total that valued the start-up at £6.7mn, according to people familiar with the terms.

“The best companies keep unlocking new opportunities and we knew with Revolut that Storonsky was an entrepreneur who was going to do just that,” said Daniel Waterhouse, a Balderton partner who sat on Revolut's board for several years. “He had the capacity to take this in many different places.”

Balderton's Revolut windfall has been reinforced by a flurry of positive news

elsewhere in its portfolio, from energy group Fuse reaching a \$5bn valuation in December to fintech GoCardless's \$1.1bn sale also last month.

Other successes include UK autonomous-driving group Wayve, which is in talks to raise up to \$2bn, and German spy-drone maker Quantum Systems, which has tripled its valuation to €3bn since Balderton first invested in May.

The firm secured another windfall last year as it joined backers of Turkey's Dream Games, maker of the mobile app *Royal Match*, in selling a stake to private equity group CVC at a \$5bn valuation just five years after its initial investment.

Tim Bunting, a former Goldman Sachs partner at Balderton who brought in the Revolut investment, said it had been a “hunch”. Today, Balderton's initial £1mn stake is alone worth billions, even before subsequent investments.

World Markets

STOCK MARKETS

	Jan 13	Prev	%chg
S&P 500	6954.24	6977.27	-0.33
Nasdaq Composite	23758.49	23733.90	0.10
Dow Jones Ind	49245.02	49590.20	-0.70
Euro Stoxx 50	6029.83	6016.30	0.22
FTSEurofirst 300	2435.83	2436.95	-0.05
FTSE 100	10137.35	10140.70	-0.03
FTSE All-Share	5460.99	5465.32	-0.08
CAC 40	8347.20	8358.76	-0.14
Xetra Dex	25420.86	25405.34	0.06
Nikkei	53549.16	51939.89	3.10
Hang Seng	26848.47	26608.48	0.90
MSCI World	4524.00	4510.50	0.30
MSCI EM	1478.20	1461.20	1.16
MSCI ACWI	1037.50	1033.30	0.41
FT Wiltshire 2500	7086.60	7073.07	0.19
FT Wiltshire 5000	69690.88	69761.18	-0.10

CURRENCIES

	Jan 13	Prev	Pair	Jan 13	Prev
\$/£	1.165	1.166	£/\$	0.858	0.858
\$/¥	1.344	1.347	¥/\$	0.744	0.742
€/¥	0.867	0.865	¥/€	1.153	1.156
¥/¥	158.935	156.760	¥/¥	185.175	185.090
¥/£	213.561	213.881	£ Index	84.814	84.31
\$/¥	0.932	0.930	\$/¥	1.075	1.075

CRYPTO

	Jan 13	Prev	%chg
Bitcoin	93428.02	92062.07	1.48
Ethereum	3180.94	3127.64	1.70

COMMODITIES

	Jan 13	Prev	%chg
Oil WTI	60.75	58.83	3.26
Oil Brent \$	65.73	63.49	3.53
Gold \$	4613.63	4616.75	-0.07

GOVERNMENT BONDS

ield (%)	Jan 13	Prev	Chg
S 2 Yr	3.53	3.55	-0.02
S 10 Yr	4.18	4.18	-0.01
S 30 Yr	4.83	4.83	0.00
K 2 Yr	3.66	3.65	0.00
K 10 Yr	4.49	4.46	0.03
K 30 Yr	5.14	5.11	0.03
PN 2 Yr	1.16	1.15	0.02
PN 10 Yr	2.17	2.11	0.06
PN 30 Yr	3.47	3.42	0.05
ER 2 Yr	2.09	2.09	0.00
ER 10 Yr	2.85	2.84	0.01
ER 30 Yr	3.46	3.44	0.02

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NATIONAL

Post-Brexit ties

Push for EU financial services accords

City minister’s mission to Brussels will avoid any return to full alignment

GEORGE PARKER — POLITICAL EDITOR

City minister Lucy Rigby will today travel to Brussels to seek areas of co-operation with the EU on financial services but, crucially, stopping short of any return to alignment with bloc rules.

Rigby, who will meet EU financial services commissioner Maria Luís Albuquerque, told the FT that the sides could work together more closely, even as Britain diverges from the EU’s rule book in the wake of Brexit.

Sir Keir Starmer has excluded financial services from a wider drive to look

for areas of “alignment” with the bloc’s single market, in recognition that most City groups valued regulatory autonomy.

Rigby said: “Our financial services sector is world-leading and helping it act as an even better engine for growth will be top of my agenda.

“There’s room for working together in a whole host of different areas with the EU, as we have done with settling trades, to cut costs for firms on both sides of the Channel, boost investment and drive shared growth.”

A report published today by the City of London Corporation and New Financial, a research firm, called for “closer co-operation in new areas such as sustainability or digital assets”.

It identified last year’s temporary

extension of an “equivalence” deal to allow EU banks to access UK derivatives clearing until 2028 as another area where the market would benefit from a longer-lasting solution.

‘There’s room for working together in a whole host of different areas with the EU’

Lucy Rigby, City minister

But it also warned that a recent capital requirements directive in Brussels would prevent banks in the UK and other countries from lending to clients in the EU, unless they had a branch in that country from next year.

Albuquerque attended chancellor

Rachel Reeves’ Mansion House speech last year in a symbol of a post-Brexit attempt to co-ordinate action to avoid market disruption, notably given London’s central role in the European financial services sector.

The UK last year decided to move to a single day T+1 settlement system for equities, bond and fund trades from October 2027, mirroring the timetables of the EU and Switzerland.

Eventual co-ordination averted the risk of banks having to adopt a T+1 system at three different times for UK, EU and Swiss securities – which had been a concern given initial fears about the lack of a joined-up approach.

But things have not always run smoothly, in spite of the creation of an EU-UK regulatory forum and Reeves’

insistence at a meeting of Eurozone ministers last year that she wanted an “ambitious” economic partnership with the bloc.

Brussels bristled when the UK unilaterally said that it would postpone a central part of the Basel reform – the so-called fundamental review of the trading book – to 2027, once again forcing the EU to follow suit for this part of the reforms, and without warning or co-ordination.

“Greater UK-EU connectivity in financial and professional services – in those areas where we’re already aligned – can accomplish those wider objectives which we all share,” said Chris Hayward, policy chair of the City of London Corporation, the governing body of the Square Mile.

Dismissal filing

BBC moves to have Trump’s \$10bn lawsuit thrown out

DANIEL THOMAS — MEDIA EDITOR

The BBC has moved to have Donald Trump’s \$10bn defamation lawsuit thrown out on the basis that the *Panorama* documentary at the centre of the claim was not available in the US.

The public broadcaster has filed a motion to dismiss the claim by the US president, with documents arguing that the Florida court lacks “jurisdiction” given the broadcaster did not create, produce or broadcast the documentary in the state. The filing adds that Trump’s claim that the documentary was available in the US on streaming service BritBox was not true.

Last year, the BBC was found to have misleadingly edited a speech given by Trump on January 6 2021 for a *Panorama* documentary, giving the impression that he had encouraged supporters to storm the Capitol building.

The broadcaster apologised for “unintentionally” giving “the mistaken impression that President Trump had made a direct call for violent action”. Director-general Tim Davie resigned in part as a result of the scandal.

Trump sued the BBC for \$10bn and accused it of publishing “a false, defamatory, deceptive, disparaging, inflammatory and malicious depiction”. The lawsuit was brought in his personal capacity in a court in Florida.

BBC insiders believe that Trump’s

Labour. Leadership

Streeting attacks ‘excuses culture’ amid coup talk

Health secretary blasts blame of civil service by ministers as challenge to Starmer grows

GEORGE PARKER, CHRIS SMYTH, JIM PICKARD AND JENNIFER WILLIAMS

Wes Streeting, the health secretary, yesterday attacked an “excuses culture” at the heart of government, while another cabinet minister said there was a “50-50” chance Sir Keir Starmer could be toppled as prime minister by the end of the year.

Streeting, a potential leadership contender, told a conference in London it was time ministers stopped making mistakes, while Andy Burnham, Greater Manchester mayor and another touted challenger, used the event to set out elements of his manifesto.

The conference at the Institute for Government think-tank took place against a backdrop of speculation that Starmer could face a challenge this year, with ministers frequently discussing how long he can survive.

“What’s happening at the moment is extraordinarily bad. We can’t just pretend otherwise,” one cabinet minister said. Another, asked whether Starmer would still be in Number 10 in December, replied: “50-50.”

Starmer had on Monday attempted to rally MPs, saying this year would be one of “change and renewal”, with both he and chancellor Rachel Reeves arguing that an improving economy will boost voters’ mood.

But with dire poll ratings and elections to the Scottish and Welsh parliaments and English councils in May, Labour is awash with talk of whether – or when – a coup might materialise.

Streeting used his IfG speech to attack what he claimed was a view in government that the Whitehall machine was incapable of delivering change.

“This excuses culture does the centre-left no favours,” he said. “If we tell the public that we can’t make anything work, then why on earth would they vote to keep us in charge?”

The health secretary’s team denied he was criticising Starmer, instead pointing to similar arguments made by the prime minister’s former director of strategy, Paul Ovenden. But the comments were



Centre stage: Wes Streeting at yesterday’s conference. Below, Greater Manchester mayor Andy Burnham



seen as a sign of frustration with Starmer, who has accused some civil servants of being “comfortable in the tepid bath of managed decline”.

Streeting also referred to government mistakes and U-turns. “In the NHS, we have an initiative called GIRFT – Getting It Right First Time,” he said. “That should be our new year’s resolution for

2026. Let’s try and get it right first time.”

Some Streeting supporters believe he should make a move, even before the May elections, giving rivals less time to get their campaigns together. “There is a question of whether he goes before then,” said one.

Triggering a coup is complicated under Labour rules: a total of 81 MPs would need to back a challenger and the first person to move against Starmer risks being damaged by such disloyalty.

Burnham, who flaunted his ambitions to become prime minister ahead of the Labour conference last September, is seen as a likely leadership contender, even though he is not an MP. Speculation persists that a friendly Labour MP will step down to allow the Manchester mayor to contest a by-election, possibly alongside the May elections.

Burnham yesterday ranged far beyond his views on development in the North West, including calling for MPs to

‘If we tell the public that we can’t make anything work, then why would they keep us in charge?’

be elected by proportional representation and an end to the whipping system, which he said made MPs “rubber stamp long-held departmental positions”.

He also called on Reeves to go beyond giving financial help to pubs – the subject of an imminent U-turn – and to “rebalance taxation so that we help the high street” rather than online retailers.

Starmer’s backers insist he is not going anywhere. “There’s no way he’s going to go of his own accord,” said one cabinet member, arguing that the prime minister saw the elections in May as unrepresentative of how the country might vote in a general election. The next must be held by summer 2029.

The cabinet met yesterday to decide a plan for 2026, in what was described by officials afterwards as “a very useful, open and extended political discussion”. Keeping such debates behind closed doors will be a big achievement for the prime minister in the coming months.

The BBC said ‘simply clicking on the link that plaintiff cites for this point shows it is not on BritBox’

lawyers will have to prove the documentary was shown in Florida for the court to even hear the case. The corporation has said it was not distributed in the US and that its iPlayer streaming service was “geo-blocked” from viewers.

Trump’s lawyers have claimed that the show was available in Florida to subscribers of BritBox, a streaming service, as well as those using virtual private networks, which disguise an internet user’s location.

In the filing, the BBC said that “simply clicking on the link that plaintiff cites for this point shows it is not on BritBox”. Meanwhile, it added that Trump’s lawyers had not alleged “that any Florida citizen actually watched it using a VPN”, saying that “it is a crime to watch iPlayer without paying the UK licence fee”.

The BBC added that the president had failed to “plausibly allege” the documentary was published with “actual malice”, which would be required for a defamation suit in the US, or to prove any damage had occurred.

“Given the extensive allegations prior to the documentary’s release regarding [the] plaintiff’s January 6 speech – and that shortly after the documentary, the president won the election and carried Florida by a wide margin – the documentary could not plausibly have caused any harm to his existing reputation,” it added.

The BBC said that “as we have made clear previously, we will be defending this case. We are not going to make further comment on ongoing legal proceedings.”

A 2027 trial date has been proposed if the case continues.

Scotland

SNP to impose ‘mansion tax’ and private jet levy in draft Budget

SIMEON KERR — EDINBURGH

The Scottish government said it would introduce a “mansion tax” on homes valued at more than £1mn and impose a tax on private jets, as it gears up for Holyrood elections in May.

Finance secretary Shona Robison yesterday said the Scottish National Party administration would ask the wealthiest to “contribute that little bit more” as she laid out the draft 2026-27 Budget bill to the devolved parliament.

Two new council tax bands on properties valued at more than £1mn would raise money and address the current system under which owners of expensive homes pay similar amounts to those who own more modest properties, according to the Budget bill.

The highest band in the current council tax structure, set in 1991, is for properties valued at more than £212,000.

Meanwhile, an airport departure tax will take effect from April 2027, with plans to bring forward a supplement on private jets in 2028-29 because they produce more emissions than commercial flights.

The new council tax bands “will bring

greater fairness and increased revenue to councils”, Robison told MSPs. “I say to those who choose to travel by private jet: in Scotland you will pay, and you will pay a fair share for that privilege.”

Robison said details of how much money the policies would raise would be set out ahead of their implementation.

The proposed Budget will be the last for the SNP before elections to Holyrood in May, in which John Swinney will seek to capitalise on his push to address cost-of-living pressures and lift growth since becoming first minister in May 2024.

The pro-independence party has run

Scotland for almost two decades and enjoys a comfortable lead in polling for the May 7 vote, which will come at the same time as elections to the devolved Senedd in Wales and English councils.

Robison also unveiled an £864mn package of relief on business rates for pubs, restaurants and retailers, as UK chancellor Rachel Reeves prepares a limited package of relief that will apply only to pubs after a backlash by landlords to her November Budget.

Scotland’s colleges will enjoy a combined increase of £70mn in resource and capital funding, equivalent to a 10

per cent uplift on last year’s Budget.

While Reeves extended the freeze on income tax thresholds in her November fiscal event, Robison said she would support people on lower incomes by raising the basic and intermediate rate thresholds by 7.4 per cent, more than inflation. The move, Robison said, would maintain the Scottish government’s commitment that more than half of taxpayers would be expected to pay less income tax than they would in the rest of the UK.

Scottish government analysis of forecasts from the independent Scottish Fiscal Commission suggested 55 per cent of taxpayers would be paying less tax than people in the rest of the UK in 2026-27.

Business groups criticised the Budget’s lack of focus on growth, arguing it had piled on more pressure on middle earners and wealth creators.

“Continuing tax divergence from the rest of the UK – particularly for middle earners up – leaves firms unable to recruit highly skilled employees from across the UK and beyond, and risks pushing even more talent south,” said Michelle Ferguson, director of CBI Scotland.



Those living in homes worth more than £1mn will be asked to contribute ‘a little bit more’

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NATIONAL

High-speed rail project’s soaring cost puts it on track to be world’s dearest

HS2’s reliance on contractors, lavish ambition and green hurdles mean its price could exceed £100bn

GILL PLIMMER, JIM PICKARD AND JONATHAN VINCENT

Racing across viaducts and through craggy mountains, Japan’s Chuo Shinkansen line will take passengers between Tokyo and Nagoya on 500km-per-hour bullet trains.

A new high-speed railway being built between Lyon and Turin, meanwhile, will traverse the Alps through the longest railway tunnel ever constructed, at 57.5km.

Both projects are battling their own issues. But despite the challenging terrain they must conquer, neither is set to stand up to Britain’s HS2 railway line in one regard – cost.

HS2 chief executive Mark Wild is finalising a revised price tag that could surpass £100bn, according to industry figures.

Announced more than 15 years ago as a high-speed connection between London, Leeds and Manchester, the curtailed line is on course to win the prize for being the most expensive strip of railway track per kilometre in the world, even on current costings, despite having little more to contend with for much of the route than undulating greenhills.

The last official estimate for the project was about £80bn in 2024 prices, which if accurate would make it 26 per cent more expensive per kilometre than Chuo Shinkansen, according to analysis by the FT based on data from the Transit Costs Project research group.

Using the £80bn figure, and after adjusting for inflation and differences in local prices using purchasing power parity (PPP), HS2’s projected cost of \$537mn per km makes it by far the most expensive of the 94 lines in the TCP’s dataset.

Costing more than £40bn so far, taxpayers are already paying about £7bn a year, or £140mn a week, for HS2, which is being built at barely half the length originally envisaged. How did it get so expensive?

Reliance on contractors

The problems started early. HS2, a taxpayer-funded body, was established in 2009 to deliver the scheme but contractors, who had lobbied for the railway, were embedded as project managers in the organisation’s offices at Canary Wharf.

The Department for Transport as the sponsoring department was expected to provide oversight. Network Rail, which runs the country’s rail infrastructure, was sidelined but should have played a larger role, according to a government-commissioned report into HS2 in 2025 by James Stewart, a former chief executive of the then-Treasury division Infrastructure UK. That left too much power in the hands of contractors and government officials without technical expertise.

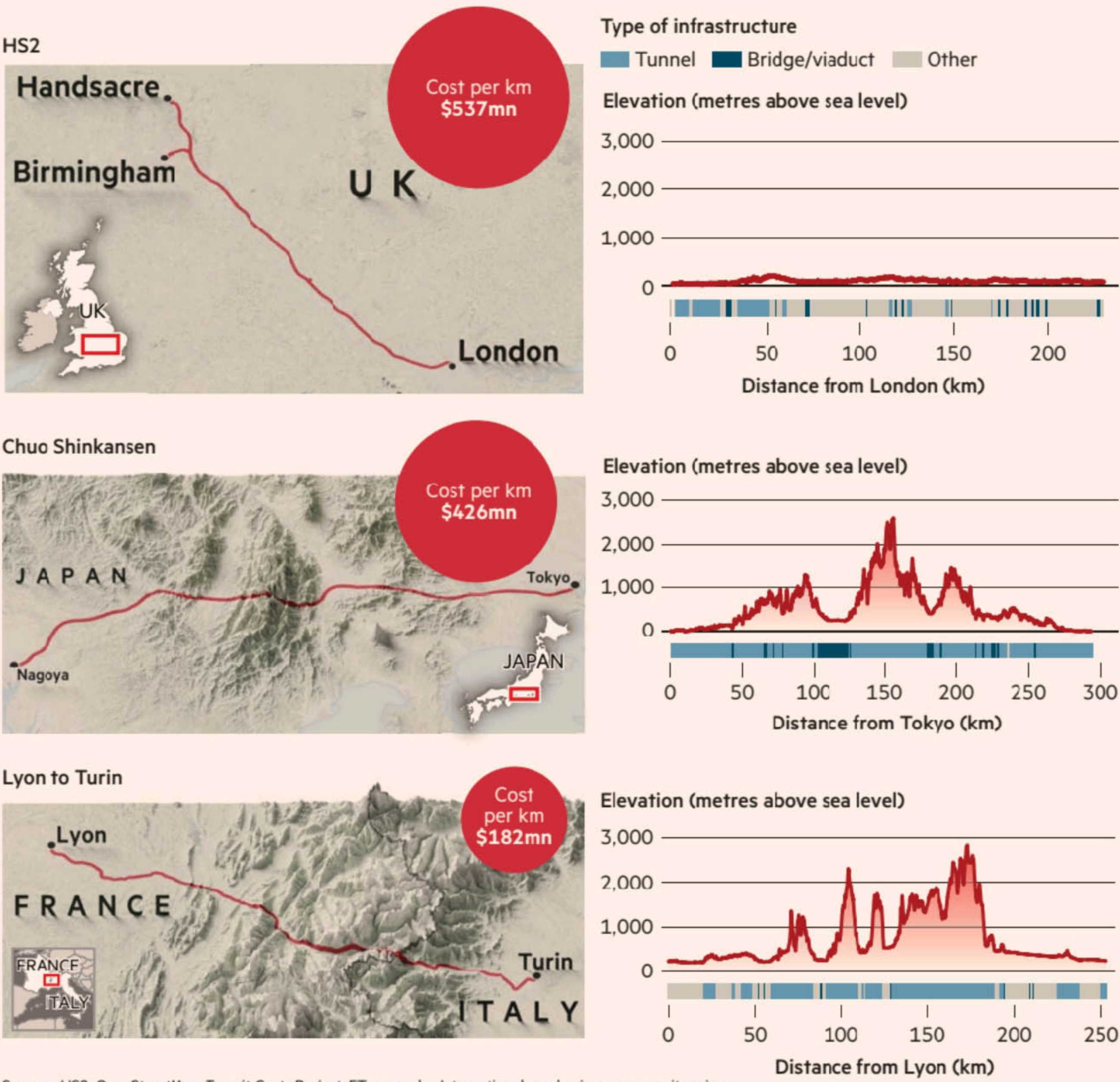
In Japan, by contrast, project management for railway construction projects, including the Shinkansen high-speed lines, is handled by the Japan Railway Construction, Transport and Technology Agency (JRJT), a public body with technical capabilities.

JRJT plans and determines the route, equipment and project costs and secures funding. It also carries out technical reviews once construction has started and adjusts the budget when there are design issues such as changes in groundwater and geology, which are common in large civil engineering projects.

“Although there are cost increases and construction delays, this approach makes the process more rational,” said Yoichi Kanayama, a rail expert at Toyama university.

At HS2, contractors signed off huge contracts on a “cost-plus” basis, where companies are paid a percentage of the total value of the work. This gave contractors an incentive to go over the budget and “get more money as more money is spent”, the Stewart report found.

High-speed lines under construction



Sources: HS2; OpenStreetMap; Transit Costs Project; FT research • International purchasing power parity prices

Britain leads the pack



Contractors were given an incentive to go over budget and ‘get more money as more money is spent’

In Japan, construction work is also outsourced but bids that were too low were excluded to ensure the quality of the works, said Kanayama. The JRJT monitors the construction as it proceeds.

The ambition

The business case for an upmarket line charging premium fares was challenged from the start, particularly at a time when other transport budgets were being cut.

Determined to defy those it saw as naysayers, the coalition government introduced legislation to build the scheme’s first phase, from London to the West Midlands, in 2013 – though the design was then only 4 per cent complete, according to the Stewart report.

Very large rail schemes in Britain are typically authorised through their own bespoke parliamentary bills. That reduces the risk of subsequent legal challenge, which HS2 has indeed survived, but also limits the ability to make

changes later, something that with a scheme this immature was to prove disastrous.

The scope locked in through this process is now widely seen as excessive: the fastest conventional-tracked railway in the western world, with a speed of 400kph, one-third above the European high-speed standard even though distances between English cities are short.

A faster line needs to be flatter and straighter, with more earthworks, tunnels and viaducts, and with higher-quality track and structures, all of which cost more.

Environmental factors

An emblem of HS2’s excessive expenditure is the £119mn Sheephouse Wood tunnel, designed to protect the rare Bechstein’s bat. Described in HS2 design documents from 2023 as a “world first in the history of railway infrastructure”, it was “gold-plated and symbolic of the

An artist’s impression of an HS2 train, below. The line is set to be the most expensive railway track per kilometre in the world



bloated spending”, said Alexa Culver, legal counsel at the law firm, RSK Wilding.

“A £100 tarpaulin from B&Q would have equally protected the bats,” Culver said. “Protecting nature is not the problem, though it has become a convenient scapegoat.”

In Japan, environmental assessments are also carried out by the JRJT, which takes the views of local councils and residents into account. But Kanayama acknowledges that the UK might have “broader and deeper” public participation than in Japan.

HS2 said the planning and environmental consents process in the UK was expensive and that was “why the government is reforming” the system.

On the bat tunnel it added that a “range of alternative options were reviewed and rejected on the grounds that they were more expensive or failed to pass the legal test”.

High-cost, bespoke architecture

The Colne Valley Viaduct was designed to emulate the “flight of a stone skipping across the water” and includes 1,000 uniquely shaped “segments made on-site at a purpose-built factory”, according to HS2 press releases.

Paul Chapman, an expert in complex project delivery at Oxford’s Saïd Business School, said HS2 should have used a “cheaper more standardised approach”.

He added: “The Japanese would have designed a quality, value-for-money, replicable product, streamlined production and engaged the supply chain. In contrast, we have a bridge that’s won the Royal Fine Art Commission Trust’s Building Beauty Award, and though that’s great, there are 499 other bridges on the route to do.”

What happens next?

“The truth is that HS2 should have learnt from the Japanese model,” said Tony Travers, government professor at the London School of Economics. “HS2 has become so awkward and embarrassing for the British political establishment that the easiest way to deal with it is by not talking about it very much.”

Wild, who took over as chief executive at HS2 last December, said in June that it would take a year to reset the budget. But although HS2 had been trying to agree new contract terms, the engineering groups had been reluctant to budge, several people close to the negotiations said.

“Our chief executive Mark Wild has been clear that overall delivery of HS2 has been unacceptable and he’s committed to ending the project’s cycle of cost increases and delays,” HS2 said.

But progress is slow. Although there is talk of a plan to emulate the Japanese and work with a developer on housing and commercial opportunities in and around Euston station in central London, there is no clear design plan, much less a deal, even though surrounding buildings were demolished almost a decade ago.

The final rail connection to Euston station is also still on hold and the delays have already officially cost at least £200mn.

Stephen Glaister, professor emeritus at Imperial College London, said Boris Johnson, the former prime minister, was unwise in 2020 to “crash on with immediate approval for the full scheme”, adding: “The Treasury could not fund it, and so over time it was cut back, bit by bit, to a costly residual stump that makes no sense at all.”

The only consolation it seems may be that the Chuo Shinkansen line is also over budget and delayed. It will, however, run on magnets that promise to create a frictionless journey for passengers – the hunch is that its delivery is also likely to be smoother than HS2’s. Additional reporting by Ella Hollowood

Infrastructure overhaul Cancelled northern link rises from the ashes

Ministers are set to promise a new version of HS2’s cancelled leg between Birmingham and Manchester as part of an overhaul of rail infrastructure in the north of England.

The government will announce today its much-delayed plans for new and upgraded east-west rail links across the north, in a project known as Northern Powerhouse Rail.

The plans will include a commitment to a new Birmingham to Manchester line after NPR is delivered, according to two people familiar with the matter. However, the work is unlikely to begin before around 2045.

That will mean putting on hold the sale of land that had been earmarked for HS2.

Labour has not previously announced plans to replace the northern elements of HS2 cancelled by previous Conservative administrations.

The high-speed rail line was originally designed as a Y-shaped route up to Birmingham and then two separate northern lines to Manchester and Leeds.

In 2021, the then-prime minister, Boris Johnson, killed off the route to Leeds in an attempt to cut the cost of the scheme. Then in 2023 his successor Rishi Sunak cancelled the north-west leg to Manchester.

The decision caused outcry in the north of England and left the chronically congested West Coast Mainline with no alternative plan to solve its capacity crisis.

Since taking power in 2024

Manchester route to Liverpool is expensive and complicated

Labour had been reluctant to make any commitments to replacing either cancelled northern leg.

Ministers instead opted to prioritise the revival of NPR, a separate decade-old plan to connect the cities of northern England from east to west, which had drifted under the last parliament.

Chancellor Rachel Reeves is today expected to commit to NPR after months of negotiation with northern mayors.

But the chancellor is only committing £11bn during the current parliament — expected to end in 2029 — towards “planning, development and design work” for the schemes.

Reeves, the MP for Leeds West and Pudsey, said the government was “reversing years of chronic under-investment in the North”.

“Our transformative plans will create jobs, build homes and unlock opportunities for businesses to invest,” she added.

The project is expected to take more than a decade, starting with upgrades in Yorkshire, followed by a new Manchester to Liverpool line and further electrification elsewhere in the north.

The line between Manchester and Liverpool, while being a top priority for the city’s mayors, is both expensive and complicated.

Manchester had proved a sticking point, with the government nervous that the city region’s mayor Andy Burnham — a potential leadership rival to Sir Keir Starmer — could derail today’s announcement. Local leaders had long insisted on an underground station at Manchester Piccadilly as part of NPR, to avoid losing prime development land, but had struggled to get government agreement.

After the Manchester to Liverpool line, the government now intends to build a new line between Birmingham and Manchester.

Details of the speed or specification of the proposed new line were not clear.

Jennifer Williams and Jim Pickard

Debt concerns

Reeves’ borrowing rules doing ‘very little’ to rebuild public finances, says former OBR chief

SAM FLEMING — ECONOMICS EDITOR

The government’s borrowing rules are doing “very little” to help rebuild the country’s fiscal resilience, the former head of the fiscal watchdog said yesterday, as he warned that the country was still “piling on debt” years after the last economic shock.

Richard Hughes, former chair of the Office for Budget Responsibility, said the government was “among the loosest” since the country established for-

mal constraints on debt and deficits. The country, he added, was making too little progress strengthening the public finances following the Covid-19 pandemic and subsequent inflation surge.

“They [the rules] do very little to rebuild fiscal resilience at a time when we are now getting on to three or four years since the last major shock,” Hughes told the House of Lords economic affairs committee.

“We are at significant fiscal disequilibrium . . . Our fiscal framework needs to

deliver more binding and more sustainable fiscal outcomes.”

Chancellor Rachel Reeves in November announced a £26bn tax-raising package aimed at funding higher welfare spending and building extra budgetary headroom as she aims to strengthen market confidence. Since then gilt prices have gained, partly because of receding inflation worries.

Nevertheless, the OBR warned alongside the Budget that public debt was set to reach 96 per cent of GDP by the end of

the decade — higher than it predicted earlier in 2025.

Hughes was speaking to lawmakers for the first time since he resigned in December after the OBR accidentally leaked its analysis of Reeves’ Budget before she delivered it. He repeated apologies about the premature release.

Reeves is set to tout the country as an attractive investment destination because of policy stability when she travels to Davos next week for the meetings at the World Economic Forum.

Reeves overhauled the borrowing rules after Labour took power in 2024, shifting to a measure of the deficit that excludes borrowing for investment and adjusting the measure of debt that the Treasury targets to take account of the value of some financial assets.

However, Hughes gave a downbeat assessment of the health of the public finances, pointing out that they were still on track to run an overall deficit approaching 5 per cent of GDP this fiscal year despite the time passed since they

were clobbered by the economic shock of the pandemic and energy price surge.

Hughes warned that the bulk of the deficit as things stand was likely to be “structural” — meaning that stronger growth alone would not wipe it out.

“The government’s non-negotiable fiscal rules help to keep interest rates low while also prioritising investment to support long-term growth,” said the Treasury, adding that borrowing as a share of GDP was forecast to be the lowest in six years.

INTERNATIONAL

World Economic Forum

Kyiv’s G7 allies to press Trump at Davos

Group seeks backing on security guarantees for a post-ceasefire Ukraine

HENRY FOY AND MERCEDES RUEHL — VIENNA
ORTENCA ALIAJ AND GEORGE PARKER — LONDON

Kyiv’s G7 allies plan to meet Donald Trump at Davos to seek his personal backing on security guarantees for a post-ceasefire Ukraine.

The leaders of Italy, Germany, France, Canada and the UK, plus the president of the European Commission, expect to attend a meeting with Trump and

Ukraine’s President Volodymyr Zelenskyy at the World Economic Forum next week, officials briefed on the plans told the FT.

Details of the meeting are being finalised. It is set to take place on Wednesday next week and could feature other leaders from the so-called coalition of the willing — states supporting Ukraine. National security advisers from the coalition were also planning to hold a separate meeting, the officials said.

The Davos leaders’ meeting will seek Trump’s stamp of approval on agreements drawn up with his Ukraine negotiators and the US’s European defence commander in Paris last week, seen as

critical to ensuring Russia does not restart the war after any ceasefire.

European capitals are nervous about the robustness of Trump’s personal commitment to supporting Ukraine after a possible peace agreement with Russia, following a number of incidents over the past year when the US president has made strongly pro-Russian statements regarding the conflict.

Trump’s lead Russia negotiator Steve Witkoff said after the Paris meeting that they were “largely finished with security protocols”.

“President [Trump] does not back down from his commitments,” Witkoff added after the meeting. Witkoff,

Trump’s son-in-law and fellow Russia negotiator Jared Kushner and secretary of state Marco Rubio will be part of the US delegation to the WEF.

“Without the US, none of this happens,” said one European official involved in the negotiations, referring in particular to pledges from Britain and France to deploy troops to a post-ceasefire Ukraine. “It is still unclear what Trump really feels.”

Six leaders plus the Commission’s president Ursula von der Leyen would mark a record level of G7 attendance for the Davos event. Trump’s presence has thrust geopolitics and the US’s critical role in European security to promi-

nence at a gathering that was set to have more of a focus on AI, emerging technologies and other business themes.

Sir Keir Starmer, UK prime minister, had not intended to attend but his team said that if Trump was holding a meeting on Ukraine he would reconsider.

The US-Ukraine-Europe negotiations on security guarantees for post-conflict Ukraine are part of wider US-led peace talks aimed at ending the almost four-year Russian invasion of the country.

The formal negotiations on security guarantees have not yet involved trilateral discussions with Russia.

Additional reporting by Christopher Miller in Kyiv

Washington visit

Greenland and Denmark show united front ahead of US mission

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

The prime ministers of Denmark and Greenland yesterday presented a united front in forcefully rejecting US pressure ahead of a crunch meeting in Washington today.

Greenland’s Prime Minister Jens-Fredrik Nielsen said the Arctic island did not want to be “owned, governed [or] part of the US”, while Danish leader Mette Frederiksen insisted: “Greenland is not for sale.”

Denmark and Greenland’s foreign ministers are set to meet US vice-president JD Vance and secretary of state Marco Rubio at the White House, in the first substantive meeting between the three parties since President Donald Trump first floated buying the island in 2019.

Trump has insisted that the US will “have” Greenland one way or the other, refusing to rule out military action, and the pressure has stepped up since the US capture of Venezuelan President Nicolás Maduro this month.

Both Copenhagen and Nuuk have repeatedly rejected Trump’s interest in the semi-autonomous territory of Denmark.

“We come together, we stay together and we leave together,” Frederiksen said of Denmark and Greenland.

The best way to protect Greenland against Russian and Chinese influence was through Nato, she added, directly comparing the need for solidarity in the Arctic with that on the alliance’s eastern flank in the three Baltic states.

“You cannot change borders by force [and] small countries should not fear big countries,” she said. “We are not looking for conflict, but the message is clear: Greenland is not for sale.”

There have been small signs of division between Greenland and Denmark in recent days, with Greenlandic foreign minister Vivian Motzfeldt floating the idea that her country could meet the US alone.

But Nielsen said they were united. “If we have to choose between the US and Denmark here and now, we choose Denmark. We choose Nato. We choose the kingdom of Denmark. We choose the EU,” he said.

Denmark has offered the US deeper co-operation on Arctic security, underscoring that Washington already has the opportunity to open more military bases on Greenland than the small one it currently runs. Greenland has also invited US investors to take part in its nascent mining and tourism industries.

But Trump has said he requires “ownership” of Greenland, adding that it is “psychologically needed”.

Some Danish MPs struck a gloomy tone ahead of today’s meeting.

“This may turn out to be a very unwise strategy on the government’s side. I cannot understand the wisdom of inviting oneself to a meeting with a country that threatens Denmark,” said Morten Messerschmidt, head of the nationalist Danish People’s Party.

Pelle Dragsted, MP for the Red-Green Alliance, said the sudden presence of Vance in addition to Rubio was “bad news”, as there had been a hope that a meeting between only diplomats would allow for more “rational talking”.

Europe. Defence

Scandal engulfs elite German army unit

Regiment’s soldiers accused of sexual harassment, drug use and far-right extremism

LAURA PITEL — BERLIN

The German armed forces have been engulfed by a scandal over sexual harassment, far-right extremism and drug use at an elite regiment that threatens to damage efforts to strengthen the military and boost recruitment.

Public prosecutors are examining more than a dozen allegations against soldiers from the 26th Parachute Regiment, an airborne division of the army based in the town of Zweibrücken in the south-western state of Rhineland-Palatinate. Investigations have probed allegations of soldiers from the unit wearing Nazi-style uniforms and using drugs.

Defence minister Boris Pistorius has said he is “appalled” by the revelations, saying they “stand in stark contrast to the fundamental values of the Bundeswehr”, the German armed forces.

But they have cast a cloud over this month’s launch of a new scheme aimed at attracting 18-year-olds to do a new form of voluntary military service, as Germany strives to bolster its armed forces amid fears of Russian aggression.

The scandal has raised questions about the culture in the military at a time when it is seeking a greater role at home and internationally, with Chancellor Friedrich Merz promising to make the Bundeswehr the strongest conventional army in Europe.

Agnieszka Brugger, a Green member of parliament on the Bundestag’s defence committee, warned the allegations tarnished not just one unit but “the important service performed by so many soldiers”. She added: “This represents a huge problem at a serious moment when the Bundeswehr and our politicians need to recruit the most capable people for military service.”

The 26th Parachute Regiment is one of the German armed forces’ most elite units. Made up of about 1,700 soldiers, it has been called on for deployments and war zone evacuations in countries such as Afghanistan, Mali and Sudan.

The allegations became public in October when a local newspaper received an anonymous tip that some soldiers in the regiment were being investigated for making Hitler salutes, photographing male and female colleagues in the showers, drug use and



Under scrutiny: Germany’s defence minister says he is ‘appalled’ at the revelations of misconduct in the armed forces

Leonhard Simon/Getty

wearing Nazi-style uniforms. The army subsequently confirmed it had been investigating the matter after receiving complaints from female paratroopers, who make up about 5 per cent of the regiment, in June. It also emerged the commander of the unit, Colonel Oliver Henkel, had been removed from his post.

A local broadcaster that obtained a copy of Henkel’s leaving speech said he denied his job change had any connection to the allegations and said: “I have a clear conscience and am convinced that truth and justice will prevail in the end.”

The accusations have since snowballed. The Frankfurter Allgemeine Zeitung last week published a long and searing exposé, citing army insiders saying there was a “far-right, openly antisemitic clique” in Zweibrücken that used insults such as “Jewish pig”.

Women were subjected to pornographic jokes and rape threats, and to male colleagues who exposed their genitals. Three-star General Harald Gante told the paper he was “practically speechless” when he found out what had been happening in Zweibrücken, “about the events themselves, but also about the way they were handled”.

Good conduct and embodying democratic values, Gante added, was what distinguished the Bundeswehr “from Russian soldiers”, a warning that came just days before Merz promised German troops would play a role in securing any future ceasefire in Ukraine.

On Thursday, news magazine Der Spiegel reported further allegations, including claims that a company commander pointed a partially loaded pistol in the faces of two soldiers. Another soldier required surgery, it said, after receiving “repeated blows to the genital area and head” from his instructors.

As the scale of the accusations has become clear, Pistorius, the defence minister, has drawn criticism from some members of the Bundestag and the German press for waiting until December to speak about it publicly.

The Bundeswehr has investigated a total of 55 suspects, an army spokesperson told the FT. Three soldiers have already been dismissed and a further 19 are facing dismissal proceedings.

Sixteen cases have been referred to public prosecutors for criminal investigation, mostly related to drug offences but also incidental to hatred and the use

‘This represents a huge problem at a serious moment when [we] need to recruit the most capable people for military service’

of banned extremist symbols. The military has also launched what it has called an “airborne forces action plan” aimed at promoting better leadership and clearer education about values in the armed forces.

“Violence, sexism and extremism have no place in our Bundeswehr,” said the spokesperson. “We expect our soldiers and civilian employees to actively stand up for and protect the free democratic basic order. Where this is not the case, we act decisively.”

The episode is not the first such scandal to confront the Bundeswehr.

In 2020, the defence ministry dissolved an entire elite special forces unit, warning that its “toxic leadership” had “developed and promoted extremist tendencies”. In 2022, a former soldier was sentenced to more than five years in prison for plotting to assassinate politicians while posing as a Syrian refugee.

A study published last year by the military’s own Centre of Military History and Social Sciences found that only 0.4 per cent of soldiers showed rightwing extremist attitudes — lower than the more than 5 per cent that the authors said applied to the general population.

Air strikes

Russia hits Ukrainian energy facilities as winter takes hold

CHRISTOPHER MILLER — KYIV

Russia unleashed a huge attack on Ukraine’s energy facilities in the early hours of yesterday, causing what President Volodymyr Zelenskyy described as “extensive destruction”.

The Ukrainian Air Force said Russia had launched 293 drones and 18 missiles in the bombardment, as the country faces its harshest winter since the start of Moscow’s full-scale invasion in 2022.

Air defence units shot down 240 drones and seven missiles, but Zelenskyy said there had been damage to critical infrastructure across Kyiv and regions including Zaporizhzhia, Odesa, Sumy, Kharkiv and Donetsk.

“Once again, the main target of the strike was our energy-generation facilities and substations,” he said.

DTEK, the country’s largest private energy supplier, said one of its thermal power plants was hit — the eighth such attack on its facilities since October — as temperatures fell to minus 15C in Kyiv.

Repairs were under way but authori-

ties warned that rolling power cuts would continue for days.

State grid operator Ukrenergo imposed emergency power restrictions in the Kyiv region. Several hundred thousand homes remained without electricity yesterday, Zelenskyy said.

In Kharkiv, four people were killed and six injured when a missile struck a logistical centre of private courier company Nova Poshta that Zelenskyy said had “no military purpose whatsoever”.

Kyiv and other cities have set up warming centres and power stations for people to shelter and charge their phones and other electronic devices.

The attacks come as Kyiv pushes ahead with a US-led peace plan to try to bring Russia’s invasion of Ukraine to an end. The Ukrainian leader is expected to meet US President Donald Trump at the World Economic Forum in Davos next week in an attempt to advance the peace plan, according to officials familiar with the matter.

Russia has signalled it will not agree to the western-backed plan.

Sabotage campaign

Two men charged over postal bomb plot linked to Moscow

SAM JONES — BERLIN

German prosecutors have charged two Ukrainian men with espionage for their role in an alleged Russian plot to blow up postal depots last year.

The men sent parcels containing GPS trackers to identify routes and logistics centres in Germany and eastern Europe that packages used on their way to Ukraine, the federal prosecutor said.

The prosecutor claims that the cell intended to follow up with packages containing explosives — with the aim of causing widespread destruction to postal and freight facilities.

“Such parcels were to be ignited in Germany or elsewhere on their way to parts of Ukraine not occupied by Russia, causing as much damage as possible in order to undermine the population’s sense of security,” the prosecutor said.

Security officials described the two Ukrainians — Daniil B and Vladyslav T, along with a third arrested in Switzerland, Yevhen B — as low-level operatives who were being exploited by a Russian

intelligence agency. Orders were given to Yevhen B from Moscow via an intermediary in the Ukrainian city of Mariupol, prosecutors said.

The bomb plot is part of Moscow’s sabotage campaign against European targets. Russian co-ordinated acts of vandalism, attacks on military sites and “nuisance” disruptions, such as drone incursions over airports, have been mounting over the past two years.

The continent’s governments fear that Russia’s intelligence agencies are becoming more reckless and are now willing to cause civilian harm as the Kremlin tries to ratchet up pressure on the west.

Counter-intelligence agencies are struggling to respond to the threat because of the nature of their commissioning. Faced with a depleted network of trained operatives, Moscow has started recruiting from criminal groups and the disillusioned.

What the approach lacks in sophistication, it makes up for in mass, security officials have warned.

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INTERNATIONAL

Iranians fear for their lives as death toll rises from anti-regime protests

Cut off from the outside world, the country has been convulsed by its worst violence since 1979

NAJMEH BOZORGMHEHR
TEHRAN AND DUBAI

Night after night over the past week, Fatemeh has put her children to bed, opened her window to the frigid Tehran winter air and joined the thousands of protesters on the streets below in chants of “Death to the dictator”.

Like many Iranians, Fatemeh — who used a pseudonym for her safety — hopes the protests, which have spiralled into the largest in years, could help bring the end of the Islamic regime and the rule of the 86-year-old supreme leader Ayatollah Ali Khamenei.

But with tear gas billowing and shots echoing through the city, Fatemeh has dared not go out. Activists abroad estimate that anywhere from hundreds to thousands have been killed, and even state media have aired footage of rows of bodies covered in plastic bags.

Residents have shared accounts of burnt buses, mosques and police stations across their cities, while officials have accused armed agitators of hiding among the demonstrators — all while an internet blackout cut off Iranians from the outside world.

“We get killed if we go out,” Fatemeh said. “I’ve made my brothers promise not to . . . I just cannot imagine looking for their bodies in those plastic bags.”

The protests began last month with demonstrations by shopkeepers in Tehran over economic distress and mismanagement, before spreading across the country. They have escalated rapidly into the most serious anti-regime unrest since the Islamic revolution in 1979, with demonstrators from across social classes joining calls to overthrow the theocracy.

“We just don’t want the Islamic republic in power any more,” said one man, a military veteran who was injured fighting for the regime in the Iran-Iraq war in the 1980s. “We see nothing but embezzlement. We struggle to afford food while the regime’s affluates vacation in Europe and Canada.”

It was on Thursday and Friday nights that the protests were at their largest, as Tehran filled with thousands of protesters. While some stayed peaceful, demonstrators in other cases attacked security forces and police stations. Iran’s security forces have responded with batons, tear gas, pellet bullets and live ammunition, witnesses said.

The intensity of the unrest has shocked Iranians, with many fearing their country is heading towards the sort of civil war that has torn apart others in the region.

People do not want Iran to turn into “another Syria or Libya”, said Mohammad-Sadegh Javadi-Hesar, a reformist politician in the northeastern city of Mashhad, a protest hotspot. “This level of violence was almost unprecedented [since the revolution], with Iranians, both opposition and security forces, killing each other in the streets, with scenes of beheaded and burnt corpses. It was absolutely horrifying.”

A degree of calm has set in across the streets of Tehran, at least by day. But the situation remains fraught. State hospitals are operating at full capacity, while police and intelligence services have warned families to keep young people off the streets.

In a show of power, tens of thousands



Night and day: demonstrators gather in Tehran last Thursday evening. Below, a billboard in the capital extols ‘Iran is our homeland’

Getty Images; Alamy; Taherkeney/EPA/Shutterstock

of the Islamic republic’s supporters rallied in central Tehran on Monday to demonstrate their loyalty to the theocratic system.

An internet blackout has obscured the true extent of the destruction, including from Iranians themselves. While authorities have allowed limited connectivity for domestic phone calls — allowing friends and relatives to check for news of the dead, injured or disappeared — the internet remained entirely cut off as of yesterday.

Some Iranians have used satellite internet service Starlink, which is banned in Iran, to leak footage of the violence, and satellite television channels broadcasting from abroad have remained accessible.

There are no official figures on the death toll. State media have released the names and numbers of security personnel who were among those killed.



But, with the ferocity of the violence beyond what Iranians have previously experienced, some observers who spoke to the FT said the momentum for protests might have faded because people were terrified.

“It was predictable that if violence escalated, the middle class would immediately retreat,” said one Tehran-based analyst. “If things move towards civil war, groups like Isis could also emerge in Iran. Some killings were abnormal and reminiscent of Isis-style violence in Iraq and Syria. That is deeply worrying.”

Though authorities have sought to acknowledge that grievances over the collapse of the currency and soaring inflation are legitimate, they claim the unrest has been hijacked by Israeli agents and Iranian opposition figures.

Ali Larjani, Iran’s senior security official, described the unrest as the second phase of Israel’s 12-day war on Iran in June, in which dozens of military commanders and nuclear scientists were killed, along with more than 1,000 civilians, according to officials.

President Donald Trump has repeatedly warned the regime that he would use force to “rescue” demonstrators if it used violence against them. Iranian analysts and western diplomats in Tehran said Trump’s threats had added momentum to the demonstrations, convincing a growing number of people that the US would overthrow the regime if they continued taking to the streets.

The protests appeared to have no leadership, and Iran’s internal dissent has largely been channelled through the reformist wing of the regime, which

‘We just don’t want the Islamic republic in power any more . . . We struggle to afford food, they vacation in Europe and Canada’

‘If things move towards civil war, groups like Isis could also emerge in Iran . . . That is deeply worrying’

remains broadly loyal to the system despite being repeatedly suppressed.

The protesters’ primary demand has been the removal of Khamenei, who has ruled since 1989, but many have converged around a familiar, if divisive, alternative: Reza Pahlavi, the US-based son of Iran’s Shah who was overthrown in the 1970s Islamic revolution. Many protesters heeded a call by Pahlavi to demonstrate on Thursday and Friday — the first time the 65-year-old exiled royal has played such a prominent role.

Iranian analysts and western diplomats do not view him as a serious alternative but some ordinary citizens — even those who once took part in the revolution that toppled his father — hope he could facilitate a transition from the Islamic republic to a democratically elected secular government.

“Pahlavi, a cleric or even a military figure from this regime, which I hate the most, would have my support if they improved my life,” said an artist in her 30s, who was hit by tear gas in the demonstrations on Thursday night.

Iranians remain divided over what direction the protests will take, especially if Trump makes good on his threat to attack Iran. Some argue that such a move would serve only to unify people in the otherwise polarised country, as happened when Israel’s war sparked Iranians to rally around the flag.

“The US is mistaken to think that . . . people will flood the streets again,” Javadi-Hesar said. “People cannot kill each other any more. On the contrary, a US attack could further strengthen the Islamic republic.”

[See Opinion](#)

Ceasefire

Washington to reveal Gaza governance in next phase of peace deal

NERI ZILBER — TEL AVIV

Washington is set to unveil a governance structure for Gaza as soon as today, as the Trump administration seeks to proceed with the next phase of a ceasefire deal despite a lack of international support and funding.

The US and Israeli individuals tasked with shepherding the fragile ceasefire insist they can make progress, despite their association with the Gaza Humanitarian Foundation, a failed aid scheme whose hubs became the scene of several fatal shootings by Israeli troops.

Nickolay Mladenov, a former Bulgarian defence minister and UN envoy, is set to be announced as “high representative” for the shattered strip, said people familiar with the situation. Mladenov was not involved with GHF and will oversee a 14-member Palestinian technocratic committee.

The naming of members of a “board of peace”, led by US President Donald Trump, is likely to be delayed, said the people. But the US expects to announce an executive committee for the “board” of international figures, including US envoy Steve Witkoff and Jared Kushner, Trump’s son-in-law and the architect of his Gaza policy.

Next steps in the ceasefire’s “phase two” include deploying the Palestinian technocrats into Gaza to take over civil affairs from Hamas, as specified in the US-brokered truce last October that ended two years of war. “We need to show they can deliver,” said a regional diplomat, referring to the Palestinian technocratic committee.

Mladenov travelled to Israel last week for meetings with senior US and Israeli officials, including Benjamin Netanyahu. Many of those now responsible for Gaza’s postwar transition attended. Among them were Aryeh Lightstone, a senior US envoy who leads the Gaza team based in Israel, and Liran Tancman, an Israeli tech entrepreneur and former reservist.

Opposite them were Michael Eisenberg, an Israeli-American venture capitalist advising Netanyahu on Gaza and US policy, and General Roman Gofman, the premier’s military secretary who has been nominated to head the Mossad foreign spy agency from later this year.

Several people with knowledge of the situation said all four were instrumental in the Gaza Humanitarian Foundation, which operated an aid distribution scheme inside Israeli-held areas of Gaza. Its hubs were scenes of chaos, with hundreds of Palestinians killed by Israeli fire on access routes, according to health officials in the Hamas-controlled strip.

Critics of the US-led “phase two” ceasefire push say the plans are disconnected from political and security realities in Gaza. They argue that the small team of US and Israeli officials responsible are highly ambitious but uninformed and too close to Netanyahu’s rightwing administration.

The US team insists its Gaza plans are realistic and points to the administration’s achievement in reaching the ceasefire and release of Israeli hostages.

“No one thought it was possible,” said a person with knowledge of US government thinking. “I wouldn’t bet against Jared in the Middle East.”

Middle East. American response

White House sabre-rattling belies the complexity of taking on Tehran

Trump’s options to ‘rescue’ anti-regime protesters are risky and likely to backfire

ABIGAIL HAUSLOHNER AND STEFF CHÁVEZ — WASHINGTON

Fresh from the US military operation in Venezuela, Donald Trump is weighing a new intervention: this time in Iran, where hundreds of people are said to have been killed in the regime’s crack-down on nationwide protests.

But, with some of the president’s advisers warning that Iran presents a far more challenging landscape, the prospects that any military or non-military options can deliver on Trump’s pledge to “rescue” the protesters are fraught with uncertainty — and risk backfiring.

“Kinetic action is messy and unpredictable, and we’re not good at non-kinetic intervention,” said an ex-US official focused on Iran and the region. “In any complex system, you cannot do just one thing. Iran is a complex system.”

Some activist groups have estimated that more than 500 people have been

killed, including dozens of members of the security forces, since demonstrations erupted across Iran in late December. Thousands of others are believed to have been detained, they said.

Trump, who on Monday announced a 25 per cent tariff on countries doing business with Iran, has said he is considering “very strong options” to come to the rescue “if Iran violently kills peaceful protesters”. The White House confirmed that these included air strikes.

Military experts and former officials said targets might include Iranian military and Revolutionary Guards’ infrastructure, command and control centres and warehouses of weapons and supplies.

This could even extend to attacks on senior Iranian leaders, they said. During Trump’s first term, the US killed commander Qassem Soleimani, and the president had previously boasted that he could also target Iran’s supreme leader Ayatollah Ali Khamenei.

But it is unclear that any of this would get the US, or Iranian protesters, what they want, and it might do the opposite.

Experts said a military operation risked fuelling the narrative of the Ira-

nian government, which has blamed “rioters” and “terrorists” for the violence and accused the US and Israel of stoking unrest. Despite Iran’s deep political polarisation, many Iranians rallied around the flag when Israel launched its 12-day war against the country in June, which the US briefly joined.

“You run the risk of doing what you don’t want to do,” one former senior US defence official said of a military intervention. “You run the risk of unifying the country.”

US planners also face immense challenges in identifying targets that would encourage defections and further breakdowns in the government’s ability to crack down on demonstrators.

Launching strikes “to protect protesters from the regime’s crackdown is not really an achievable military objective”, said Dana Stroul, who served as deputy assistant secretary of defence for the Middle East under Joe Biden.

Tehran has responded to the waves of protest and Trump’s threats with expanding violence and an internet blackout, as opposed to capitulation.

“This is not their first rodeo,” said the former US official. Khamenei and those

around him believe that giving in to pressure “invites more aggression”.

Trump has previously claimed that the US “obliterated” Iran’s nuclear capabilities and neutered what was once a formidable regional threat in strikes during the June war.

But, during a visit from Israeli Prime Minister Benjamin Netanyahu last month, Trump began to warn of the potential for a new campaign if Iran were found to be rebuilding its nuclear programme. While his guest lobbied in favour of this, Trump is constrained by



Firepower: US officials show the type of bomb used to strike Iran last June

his and his Maga base’s aversion to long-term military entanglements.

“They’re going for quick wins here. They’re not in the long haul for anything,” said the former official.

But the successful operation to capture Venezuela’s Nicolás Maduro this month has set off speculation that Trump’s options might include a similar effort to decapitate the Iranian regime.

While some Republicans, such as Senator Lindsey Graham, have raised the possibility, other advisers to Trump warn that pulling this off in Iran would be vastly more complicated.

The US in the past year has reduced its military presence in the Gulf and Mediterranean, sending some warships to join Trump’s counter-drug boat campaign in the Caribbean and Pacific.

“The huge difference between Venezuela and Iran is access,” said the former senior defence official. “Ranges are great. Margins are very small.”

Tehran has vowed to retaliate against any US assets in the region, in the event of US strikes, and Trump has vowed to hit back in return “at levels they’ve never been hit before”, increasing the risk of a swift escalation.



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Companies & Markets

Trump attacks on Fed bring inflation risk, warns Dimon

- ▶ JPMorgan chief gives Powell backing
- ▶ Bankers condemn DoJ investigation

JOSHUA FRANKLIN — NEW YORK

JPMorgan Chase chief Jamie Dimon has warned that the Trump administration’s attacks on the Federal Reserve could backfire and push borrowing costs and inflation higher.

Dimon said he had “enormous respect for Jay Powell the man” and was a strong supporter of Fed independence.

“Anything that chips away at that is probably not a great idea,” Dimon told reporters on a call for JPMorgan Chase’s fourth-quarter results. “And in my view, it will have the reverse consequence. It will raise inflation expectations and probably increase rates over time.”

The comments from Dimon, one of the most influential executives on Wall

‘The larger question is damage to [US] economic prospects and, frankly, global economic stability’

Street, come just days after Powell said he was the subject of a criminal investigation by President Donald Trump’s Department of Justice.

Global central bank chiefs had also said yesterday that they “stand in full solidarity” with Powell, while former Fed bosses and even some members of Trump’s Republican Party condemned the DoJ’s investigation.

“The independence of central banks is a cornerstone of price, financial and economic stability in the interest of the citizens that we serve,” said a statement from 11 central bankers, including European Central Bank president Christine Lagarde and Bank of England governor Andrew Bailey.

JPMorgan chief financial officer Jeremy Barnum echoed Dimon’s warning, saying that “the larger question is

damage to American economic prospects and, frankly, global economic stability”.

Robin Vince, chief executive of US bank BNY, said that eroding the Fed’s independence ran counter to the Trump administration’s hopes of improving affordability for consumers. “Questioning one of the tenets that underlies the bond market runs the risk of actually doing the opposite of that and pushing up interest rates because the market potentially has to worry about something that frankly, they shouldn’t have to worry about,” he said.

Despite the worries over the Fed, Dimon struck an upbeat tone on the US economy, saying it “has remained resilient” and that while the labour market had softened, “conditions do not appear to be worsening”.

JPMorgan’s profits fell 7 per cent in the final quarter of last year after an unexpected drop in investment banking revenues and an increase in the reserves set aside for possible loan losses. The largest US bank by assets reported net income of \$13bn for the quarter, just ahead of analysts’ estimates for \$12.8bn but down from \$14bn a year ago.

Investment banking fees dropped 5 per cent to \$2.3bn in the period, falling short of analysts’ estimates for a modest rise to about \$2.6bn. “Our performance was not what we would have liked and you can be assured that we’re looking at that,” Barnum said of the quarter for investment banking.

JPMorgan reported full-year net income of \$57bn, down 2 per cent from 2024, but still the second straight year when the bank has generated more than \$1bn a week in profits.

The bank’s shares were down 3.6 per cent during afternoon trading in New York.

Additional reporting by: Akila Quinio
Lex page 24

In its sights Beretta threatens proxy battle to overhaul rival US gunmaker Sturm Ruger



A Beretta pistol at an event in the US. The group has built a stake of nearly 10% in Sturm Ruger — Daniel Acker/Bloomberg

OLIVER BARNES — NEW YORK

Beretta Holding, the world’s oldest firearms manufacturer, is taking aim at US-based Sturm Ruger, threatening a proxy fight to overhaul the board of the struggling gunmaker after becoming its largest shareholder.

Family-owned Beretta, which is headquartered in Luxembourg, is working with advisers to prepare for a proxy contest, including searching for potential candidates to nominate to Ruger’s board ahead of an annual general meeting later this year, according to people familiar with the matter.

In October, Ruger adopted a so-called poison pill defence to block a hostile takeover after Beretta disclosed a 9 per cent stake in its rival. Ruger said at the time it would meet Beretta with the intention of “learning more about what operational and strategic collaborations they have in

mind”. Beretta has since increased its stake to just shy of 10 per cent.

The stand-off comes after Ruger has faced a sales slowdown and a sharp decline in earnings. Its shares have fallen 60 per cent from a high in 2021 but partially recovered since Beretta went public with its stake.

Beretta’s efforts to engage with Ruger on possible partnerships and other measures to boost shareholder value had yielded nothing tangible, the people said. In a series of letters, Beretta has called for Ruger to overhaul its corporate governance and management oversight, they added.

Ruger said in a statement that its board “welcomes transparent, constructive input regarding the common goal of enhancing long-term shareholder value”, adding that it “appreciates all shareholder relationships, including Beretta Holding”. Beretta declined to comment.

Ruger’s shares rose 1.6 per cent in

early trading in New York yesterday.

As one of the two remaining large listed firearms manufacturers, alongside Smith & Wesson, Ruger’s struggles have been in sharp contrast to Beretta’s performance.

The manufacturer behind the famed Beretta pistol, which traces its origins to Italy’s Lombardy region in 1526, generated \$1.7bn of revenues in 2024 and has been steadily buying up competitors. In 2022, Beretta bought Swiss state-owned arms manufacturer RUAG Ammotec.

Ruger’s 10/22 semi-automatic rifle is among the most popular of its kind in the US, commonly used by hunting enthusiasts on account of its reliability and affordable price.

The nomination window for Beretta to propose directors to overhaul Ruger’s board runs between January 29 and February 28. The date of Ruger’s annual general meeting is not set but it took place in May last year.

Paramount raises heat on Warner Bros in bidding war

OLIVER BARNES AND JAMES FONTANELLA-KHAN — NEW YORK

Paramount has increased the pressure on Warner Bros Discovery to restart negotiations, threatening a proxy fight to overhaul the Hollywood studio’s board and filing a lawsuit to obtain internal financial information.

The move is the latest escalation in Paramount’s efforts to gatecrash Netflix’s \$82.7bn deal to buy WBD’s studio and streaming business, after it rejected Paramount’s \$108bn for the media group including its cable channels. After losing to Netflix, Paramount almost immediately went directly to shareholders with a hostile bid.

Paramount said on Monday that it “intends to nominate directors for election” at WBD’s annual meeting later this year as well as encouraging shareholders to vote “against the approval of the Netflix transaction”.

The media group also filed a lawsuit in Delaware to push WBD to disclose its financial analysis concluding that Paramount’s all-cash \$30-a-share bid for the entirety of WBD’s studio, streaming and cable businesses was inferior to Netflix’s \$27.75 a share cash-and-stock deal for the studio and streaming assets.

Paramount argues in the lawsuit that WBD withheld material information necessary to compare the two deals, including the valuation of its global networks business behind CNN, the amount of debt that would be allocated to it and the impact that debt could have on the cash and stock consideration payable by Netflix.

In a letter to WBD’s board, Paramount said it “will nominate a slate of directors who, in accordance with their fiduciary duties, will exercise WBD’s right under the Netflix Agreement to engage on Paramount’s offer and enter into a transaction with Paramount”, when the nomination window opens in three weeks.

WBD said Paramount was “seeking to distract with a meritless lawsuit and attacks on a board that has delivered an unprecedented amount of shareholder value”. Netflix did not immediately respond to requests for comment.

Paramount, run by David Ellison, the son of Oracle billionaire Larry Ellison, said it was still “committed” to the tender offer on its hostile approach, which expires at the end of this month, but acknowledged the fate of the deal “will likely come down to [WBD’s] vote at a shareholder meeting”.

BT’s Openreach must press on with its shift from copper to full fibre

BUSINESS INSIGHT
TELECOMS

John Gapper

market: alternative network providers (altnets) such as CityFibre have invested billions more.

Openreach’s attempt to replace its historic advantage in copper with a new one in fibre is a remarkable operation. It involves blowing fibre-optic cables along its ducts with air compressors and stringing fibre from poles to houses. It has persuaded the government to limit the ability of flat freeholders to block cabling work for higher-speed services.

But no good deed goes unpunished and competition for territory among Openreach, Virgin Media 02 and the altnets has been intense and costly. “I cannot tell you how crazy a market it is out there,” says Karen Egan, head of telecoms at Enders Analysis. The altnets suffered £1.5bn net losses in 2024, while Openreach lost a net \$28,000 customers in that year.

The rivalry was unleashed by the telecoms regulator Ofcom in 2021. It capped the wholesale price that Openreach could charge retail providers such as TalkTalk for services carried over copper for the final stretch from street cabinets, but allowed it to charge more for full-fibre connections.

Altnets were encouraged to take on Openreach by using its ducts and poles.

This has been good for consumers: prices have been squeezed by cut-price offers, especially in areas with several network operators. But it has taken a toll on the altnets, with G.Network being sold to a distressed-debt firm this month. Openreach now wants greater freedom to cut its wholesale prices in the most competitive areas but keep them higher in others.

Clive Selley, Openreach chief execu-

Deep in the bowels of the Faraday Building, the main telephone exchange for the City of London since 1902, lead-lined cables carrying thousands of copper wires still protrude from walls. The red metal packed into them is extremely valuable but some are no longer working and the rest will soon be obsolete.

Their replacements are thin cables containing 864 glass fibres, each of which can be spliced into 32 strands.

These run from equipment racks in exchanges such as Faraday, through BT’s underground ducts and up telephone poles before being connected directly into offices and homes. The last step will be to strip the copper from the network and sell it for more than £1bn.

The pace at which this has happened is a salutary contrast to BT’s historic reluctance to abandon copper and deploy full-fibre broadband. The company is investing £15bn through its Openreach division to reach 25mn premises (about 80 per cent of the total) with full fibre by the end of this year.

“We’ve built faster than anyone could have envisaged,” says Katie Milligan, deputy chief executive of Openreach, as we toured the Faraday building and its nearby operations. It is not alone in suddenly turning the UK into Europe’s fastest growing full-fibre broadband

tive, has talked of scrapping its plans to extend full fibre to 30mn premises by 2030 if Ofcom fails to reform the rules.

That sounds more like a lobbying position than a real threat since BT would then have failed to match its reach in copper. You cannot claim to be a national operator if you get only 80 per cent of the way there.

The UK has a related challenge. The saying goes that “if you build it, they will come” but not enough have. Only 38 per cent of homes and businesses that could now connect to full fibre through Openreach have done so, while the altnets achieved only 15 per cent take-up by the end of 2024, according to Enders.

This could be because consumers are confused. The broadband industry spent so long advertising fibre to the cabinet as “fibre broadband” that many people do not grasp the difference in speed and reliability between that and full fibre to premises.

Even businesses that know can be reluctant to change because of old devices such as alarms that rely on copper.

The UK’s transition from copper to fibre is thus a balancing act. Openreach has to keep building while remaining exposed to competition from Virgin Media 02 and altnets. Customers need to switch to make the industry’s investment repay. That is not only a regulatory challenge but one of better marketing to more people.

Success should be possible: the UK has advanced a long way in five years and it now needs to finish the broadband job. Once a network of fibre-optic cables is in place, it could remain for 50 years or more: some of the copper in the Faraday building dates back a century.

One day, it will pay off.

john.gapper@ft.com

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COMPANIES & MARKETS

Technology

Microsoft to ‘pay its way’ on AI centres

US group seeks to defuse backlash over soaring household electricity bills

MARTHA MUIR — NEW YORK

Microsoft is pledging to “pay its way” for its AI data centres as soaring US electricity prices and water use bring a backlash against tech companies and the Trump administration’s AI push.

At a meeting in Washington yesterday, Microsoft president Brad Smith said the company would pay higher electricity rates in areas it builds data centres to cover the costs of new power generation and grid upgrades — as well as replenish water drawn from reservoirs to cool their technologies.

“We need to be more transparent,” Smith said.

“In the past data centres were built

without a lot of communication . . . that created a culture in our industry that we need to evolve and change.”

The announcement comes amid increased concerns over the proliferation of energy-intensive data centres to power AI. In October, Microsoft was forced to cancel a 244-acre data centre project in Wisconsin after locals rallied against the plan.

The Trump administration has named “win[ning] the AI race” as a strategic priority but is also on the defensive over rising energy costs associated with the expansion of the tech. President Donald Trump pledged during his presidential run in 2024 to halve consumer electricity bills, but prices have continued to rise in recent months.

Polling shows American voters remained concerned about high living costs and an affordability crunch, which has left Trump’s approval ratings near

historic lows. “I never want Americans to pay higher Electricity bills because of Data Centers . . . big Technology Companies who build them must pay their own way,” he wrote on his Truth Social platform on Monday.

Average residential electricity prices

‘It is going to be incumbent on these large customers to communicate how this is not increasing rates’

have risen by 5 per cent across the US in the 12-month period from October 2024 but states such as New Jersey and Virginia — where the so-called data centre alley is located — have experienced double-digit increases.

Energy affordability was a flashpoint in political races in recent months and

helped Democrats sweep local election races in November, putting more pressure on Trump.

Microsoft said it supported a proposal from utility We Energies in Wisconsin for data centres to pay more for their electricity and that it had asked the state’s authorities to increase the amount it charged.

Among other pledges, Microsoft said it would hire locals to work in its data centres — although the facilities do not employ many people.

In a separate effort to see off a deepening backlash, utility Georgia Power has said that customers “will not feel the blow” of data centres drawing electricity from the grid.

Analysts said the moves reflected Big Tech’s efforts to answer consumers’ concerns about AI and rising electricity bills.

“It is going to be increasingly incum-

bent on utilities and these large customers to communicate why and how this is not increasing rates,” said Josh Price, an energy director at Capstone, an advisory.

Sceptics have criticised the lack of transparency in deals between data centre developers and utilities.

A 2025 study by Harvard’s Electricity Law Initiative said agreements were frequently “opaque” and that the atomised US meant ratepayers often ended up footing the bill for new infrastructure.

Implementing Microsoft’s plan and “verifying that there are no spillover costs that infect residential bills” would be “devilishly complicated”, said Ari Peskoe, the study’s author.

“Full transparency about the deals, which has not been a feature of special side deals between utilities and Big Tech, is necessary,” he said.

Banks

Ermotti’s plans to step down as UBS chief trigger race for coveted role

SIMON FOY
EUROPEAN BANKING CORRESPONDENT

UBS chief executive Sergio Ermotti is planning to step down in April 2027, firing the starting gun on the race for one of the biggest jobs in global banking.

Ermotti, who returned to run UBS in 2023 following its state-orchestrated takeover of Credit Suisse, intends to leave after leading the integration of the two lenders, people familiar with the matter have told the FT.

The 65-year-old is preparing to depart at a crucial time for UBS as it fights Swiss government plans to tighten its capital requirements, a dispute that has fuelled talk that Switzerland’s biggest lender could move its headquarters abroad.

Ermotti was parachuted into the top job at UBS, a role he had previously held for nine years until 2020, by chair Colm Kelleher just weeks after it agreed to rescue its former rival from the brink of collapse.

The expected timetable for Ermotti’s departure close to its annual general meeting next year will kick off the succession race in earnest for one of the most coveted roles in banking.

Aleksandar Ivanovic, UBS’s asset management chief, has emerged as one of the executives most likely to succeed Ermotti, according to people familiar with the matter. Ivanovic, a Swiss national who was elevated to the group’s executive board in March 2024, is the latest chief to emerge as a contender, having impressed management in running the asset management division, the people familiar with the matter said.

The other leading candidates were UBS’s wealth management co-heads Iqbal Khan and Robert Karofsky, the people added. Bea Martin, who was announced as the bank’s chief operating officer in October, is also seen as a contender. The timeline for Ermotti’s exit had not yet been finalised by UBS’s board, another person said, meaning his leaving date could change.

When he returned in 2023 Ermotti committed to spending three to five years as chief executive, the FT previously reported. He was tasked with overseeing the complex integration of Credit Suisse and developing a growth strategy for the combined group, as well as nurturing a pool of successors.

The integration, which saw UBS inherit Credit Suisse’s litany of woes, has mostly gone smoothly and the bank’s shares have doubled during Ermotti’s tenure. But his second stint in charge has been overshadowed by a public dispute with Bern over its plan to increase UBS’s capital requirements by about \$24bn, which analysts and investors have said has weighed on its share price.

UBS said on Monday that the Swiss government’s proposals would “jeopardise” its success. Implementing the reforms, which could be finalised before Ermotti is replaced, will be at the top of the new boss’s in-tray.

Kelleher, who is overseeing the succession, is looking to follow the example of his former employer Morgan Stanley, which had several internal candidates to choose from when longtime chief James Gorman stepped down in 2023. Kelleher previously described the Wall Street lender’s succession as a “bloodless coup”, which he hoped to emulate.

Khan, a former Credit Suisse executive, has long been viewed as the most likely successor to Ermotti.

Ermotti was paid Sfr14.9mn (\$18.7mn) for 2024, making him Europe’s best-paid bank CEO that year. UBS declined to comment.

See Lex

Megamerger talks Rio and Glencore aim to exploit copper rally

CAMILLA HODGSON AND CLARA MURRAY
LONDON

A merger between Glencore and Rio Tinto would create the largest copper company in the world at a time of surging demand for the metal driven by the clean energy transition and the booming artificial intelligence sector.

The proposed tie-up, which comes hot on the heels of the megamerger between Anglo American and Teck Resources, would also create the world’s largest mining group with an enterprise value of more than \$260bn.

An industry-wide race for copper has driven a frenzied rally in the price of the industrial metal.

The highly conductive material is used in industries from construction to energy and defence with demand rising thanks to increased global investments in electrification, renewable power and the data centres needed to run AI.

“Two trends are inescapable: everybody wants to be big in copper and

‘Everybody wants to be big in copper and shareholders seem to support growth in copper’

shareholders seem to support growth in copper,” said Paul Knight, founder of AltaVista Advisors and a former banker in the sector.

Kaan Peker, an analyst with RBC Capital Markets, said the rationale for the possible deal was “obviously copper”.

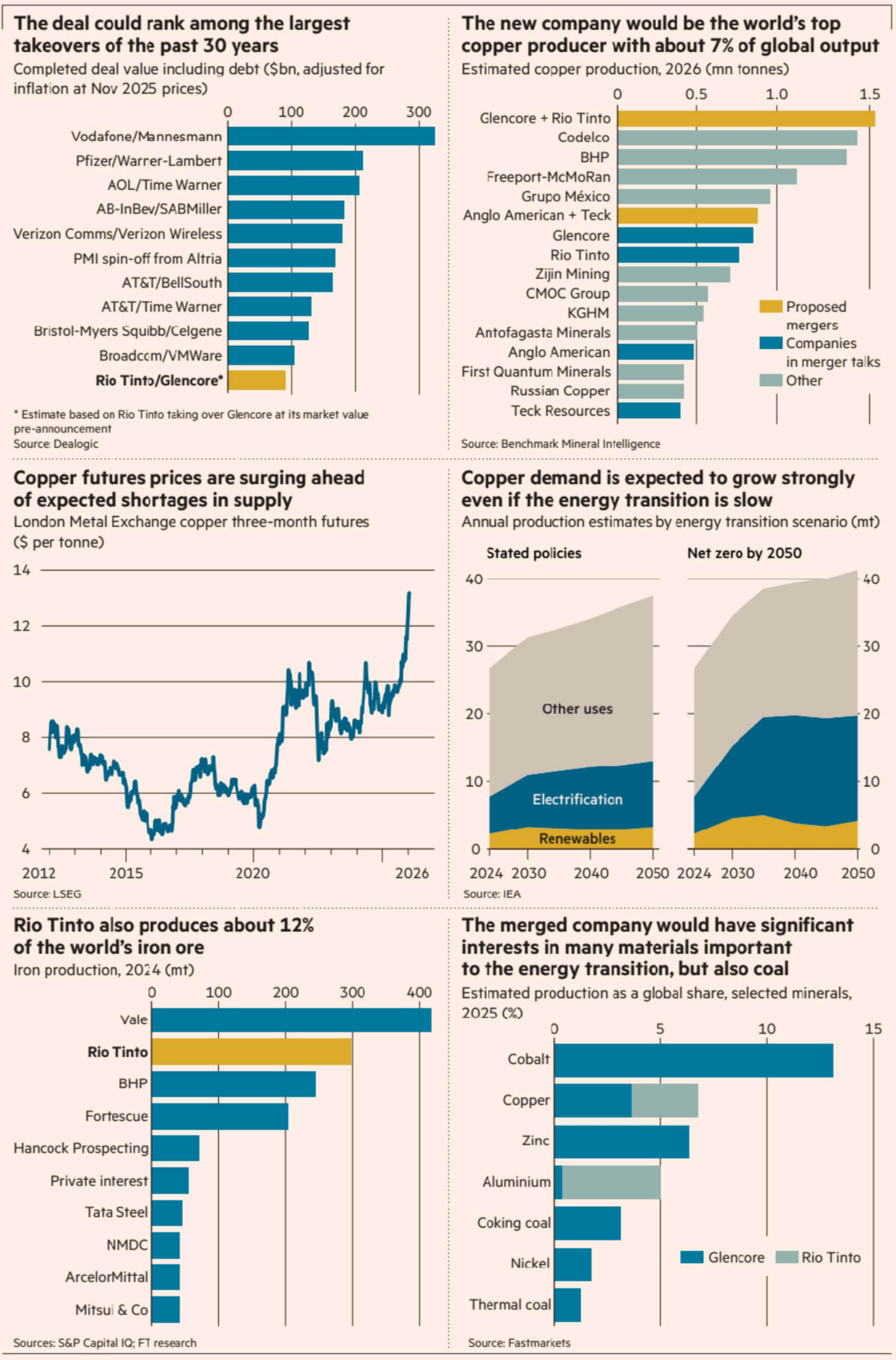
A combined “GlenTinto” would produce more than 7 per cent of globally mined copper this year, according to Benchmark Mineral Intelligence, in addition to significant shares of other critical materials including zinc, cobalt and nickel.

By contrast, Anglo Teck, the planned merger of the miners based in London and Canada, would produce roughly 4 per cent of copper this year.

Copper prices have shot up more than 40 per cent in the past year amid warnings of a supply crunch. Having rallied to a series of record highs since October, they broke through \$13,000 per tonne this month.

Demand for the metal is expected to increase by up to 50 per cent by 2040, according to S&P Global Energy & Market Intelligence, which projects a production shortfall by then of up to 10mn tonnes per year.

James Hayter, chief investment officer at Orion Resource Equities, said copper-focused deals reflected the difficulty of developing projects from scratch



Support services

First Brands creditors probe advisory firm

ROBERT SMITH — LONDON

The brother of the founder of bankrupt First Brands Group earned “kickbacks” from financing arranged for the US auto parts maker by a little-known advisory firm, creditors have alleged.

Edward James, brother of First Brands’ former chief Patrick James, arranged for New York-based Helios Strategic Advisors to pay him and his family a “substantial percentage” of the fees it earned on the financing, according to a bankruptcy filing from a committee of unsecured creditors.

The committee is probing fraud allegations around the indebted company’s sudden collapse into bankruptcy in September, stating in its filing last week that it was “investigating whether First Brands’ financing structures effectively constituted a Ponzi scheme”.

Helios is the latest firm to be drawn into the First Brands scandal. Federal prosecutors have also launched an investigation into First Brands, the FT previously reported. Advisers overseeing First Brands’ bankruptcy estate on Friday sued Utah-based Onset Financial and Edward James, alleging that they had conspired to commit a multimillion-dollar fraud against the group.

The creditors have alleged there were “additional Edward James kickbacks” from financing arranged by Helios, whose website states that it specialises in “supply chain solutions” such as “off balance sheet” financing. The firm arranged some of the debt that First Brands raised against its stock of inventory through special-purpose vehicles, according to several bankruptcy filings.

The committee’s lawyers claimed that Edward James “initially engaged”

Helios to help source financing in exchange for “substantial fees”.

He then allegedly told the firm that he was entitled to part of these payments as a “co-brokerage” fee, which he directed Helios to pay to a shell company that he controlled, according to the filing.

The creditors said that “further discovery” was needed “to determine the extent to which Edward [James] and others profited from this scheme” at First Brands’ expense.

Helios’s lawyer told the FT: “Neither the committee of unsecured creditors nor any other party in the bankruptcy proceeding has alleged that Helios engaged in any wrongdoing or bears any responsibility for recent events at First Brands.” Edward James’s lawyer said in a statement: “These are allegations in a bankruptcy case reflecting attempts to prejudice us in the public eye.”

Automobiles

Car parts sector sheds 100,000 jobs in Europe

IAN JOHNSTON — PARIS
SEBASTIEN ASH — FRANKFURT

European car-parts suppliers have announced more than 100,000 job losses in the past two years as they suffer from low demand for vehicles and fierce competition from Chinese rivals.

Figures compiled by European trade body Clepa and shared with the FT show that parts suppliers announced 50,000 job losses last year, following 54,000 in 2024, in a sign of continued distress for the struggling sector.

“It is a quite unprecedented situation with over 100,000 jobs announced to be cut in the past two years . . . we haven’t stopped the bleeding,” said Benjamin Krieger, secretary-general of Clepa.

During the pandemic years of 2020 and 2021 suppliers announced a total of 53,700 job cuts, but demand in Europe

has remained significantly below pre-pandemic levels, with limited uptake for new electric vehicles.

The sector’s poor performance has led to many carmakers cutting output across the continent, hitting partsmakers.

A limited uptake of electric cars and fierce competition from Chinese-made vehicles have hurt the ailing market

ers. The sector also faces competition from Chinese groups that are increasing their share of car sales in Europe.

“The dragon in the room is China. They have technically well-made vehicles coming to the market at an extremely low price,” Krieger added.

Bosch, the world’s largest auto sup-

plier, said in September that it would cut 13,000 jobs by 2030 after saying it faced an annual cost gap of €2.5bn, leading to protests from employees last month.

Arnd Franz, chief executive of Stuttgart-based Mahle, told the FT that it was “hard to say” whether the sector had hit the bottom or whether it would continue to face challenges this year. The supplier announced measures to cut 1,000 jobs in November, mostly in Europe and North America.

“We had much more positive expectations for 2025,” said Franz, adding that sweeping US tariffs by President Donald Trump had led to slower than expected demand for car parts.

The pressure on the industry would mean “we will see a wave of consolidation in the next two, maybe even three years, and capacity adjustments”, he added.

COMPANIES & MARKETS

Leica frames a comeback for the iPhone age

German camera brand finds renewed success with products that play on its legacy while refusing to rely on nostalgia

SEBASTIEN ASH — WETZLAR

A family-controlled German camera brand that revolutionised modern photography more than a century ago with its mass-produced lightweight cameras is looking beyond its past as it charts a future in the smartphone age.

While a collector last year paid €7.2mn for a 102-year-old prototype, Leica Camera's chief executive Matthias Harsch told the FT that relying too much on nostalgia was "always dangerous", as he seeks to build on the revival of a company that almost collapsed two decades ago.

Leica, which launched its revolutionary 35mm camera in 1925, almost went bust in 2005 as its high-priced analogue cameras struggled to compete with cheaper and more versatile digital cameras made by Japanese rivals such as Canon, Nikon and Sony.

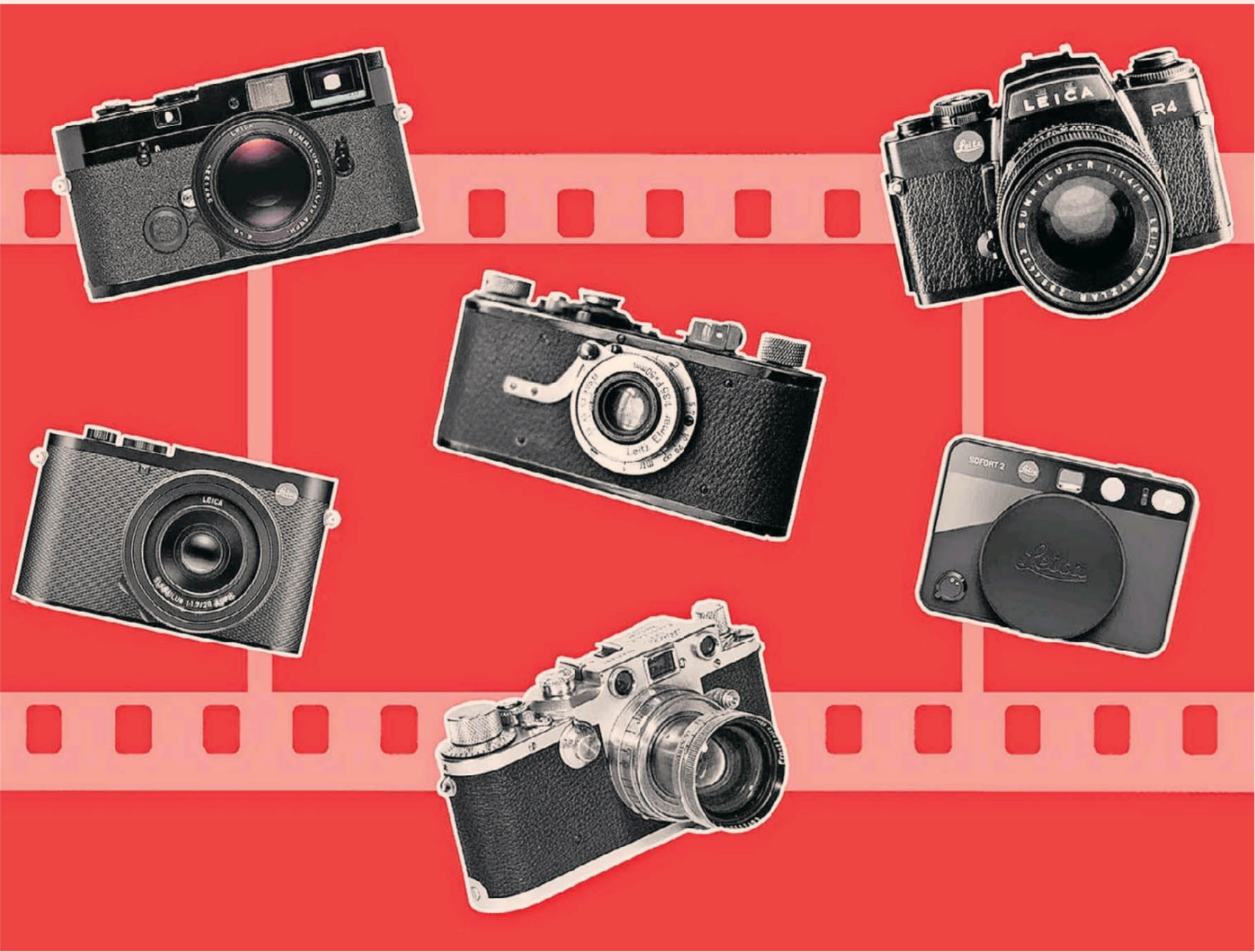
The company, which was saved by Austrian investor Andreas Kaufmann, is determined to learn from past mistakes when it was slow to embrace digital transformation. It is launching new products and seeking to take advantage of consumers' enthusiasm for traditional photography, even as smartphone cameras become ever more advanced.

"The supposedly dead camera industry has actually returned to growth mode," Harsch said at Leica's headquarters in Wetzlar. "Never before have so many people been involved with photography."

Under Kaufmann, now the company's chair, Leica invested in new digital models and top-of-range optics including modern versions of the M range-finder series that was first launched in 1954. In 2008 it brought out a 50mm lens that exceeds the human eye's perception capabilities and retails for as much as €12,350.

The former school teacher, who inherited a fortune from an aunt, oversaw projects that played on Leica's legacy and defied some industry conventions, including introducing a digital camera with a black and white sensor, and another without a viewing screen.

Kaufmann's changes inspired a roaring comeback for Leica, which had record revenues of €596mn in the year to March, 8 per cent higher than a year earlier. Sales were just €94mn in



Range finding: cameras issued by Leica over the past century. Below, Queen Elizabeth II with a Leica M3 in 1982, and Leica I technician Oskar Barnack in 1934 — FT montage/Alamy/Imago/Getty Images; Tim Graham Photo Library/Getty Images; Leica/Ulstein Bild/Getty Images

2004-05. Harsch said that profitability also reached an all-time high.

Leica, in which private equity group Blackstone holds about 45 per cent, does not disclose profitability numbers. It grew annual sales by an average 10 per cent in the two decades following its near collapse. The company was delisted in 2012.

Leica cameras and lenses blend Bauhaus design and high-quality engineering, and make up a quarter of global sales for cameras priced at more than €4,000, according to company data. The latest addition to its flagship M series has a list price of about €8,000 excluding a lens.

The first mass-produced 35mm still camera, the Leica I, was launched at a trade show in Leipzig in 1925 after years of tinkering by Oskar Barnack, a technician at microscope maker Ernst Leitz Wetzlar, as he sought alternatives to the bulky and heavy glass plate cameras of the time.

Weighing less than 500 grammes, the Leica I started a new era of reportage photography and made the company a leader in the market for top-end cameras.

Its rangefinder series — the M system — was launched in 1954 and was until the early 1970s the gold standard among professional photographers such as street photography pioneer Henri Cartier-Bresson and enthusiasts including the UK's Queen Elizabeth II.

But as consumers moved first to autofocus single-lens reflex cameras and later to new digital technology, revenues collapsed and Leica narrowly avoided bankruptcy in 2005, having been late in developing its own film-less efforts. Its new cameras also suffered from teeth-

'The supposedly dead camera industry has actually returned to growth mode'

'What's really, really unusual with the core Leica M cameras is that they are a very direct evolution from 1925'

ing problems, with the first digital M requiring cumbersome external infra-red filters.

The recovery initiated by Kaufmann, who started buying shares in 2004, has grown Leica into a 2,400-strong company, split between its Wetzlar factory, a

production site in Portugal and a global network of stores and distributors.

Leica has sought to maintain its premium image through collaborations with celebrity fans and in-house auctions that highlight the value of its cameras as collector items. Many of its

stores double up as art galleries. The cultivation of a community of photographers and collectors is a "major part of their strategy", said Peter Coeln, founder of one of the first Leica shops in Vienna, whose business was bought by the German company in 2014.

Leica-owned branded shops, of which there are more than 120 worldwide, had also made a "difference" as it competed with brands that tended to market their products through high street retailers, said Harsch.

The company has also sought to combine its heritage with modern trends, meaning that the newest digital cameras are compatible with lenses dating back to the 1930s.

"What's really, really unusual with the core Leica M cameras is that they are a very direct evolution from 1925," said Sean Reid, an expert who writes about cameras and lenses at [reidreviews.com](#).

Leica added Bartolomeo Rongone, the boss of Italian fashion house Bottega Veneta, to its supervisory board last year to further position the brand in the luxury market and has collaborated with Chinese manufacturers Huawei and Xiaomi on smartphones.

It has also developed an app that gives smartphone pictures its signature feel. After starting its range of luxury watches Leica is also moving into eye-wear, although Harsch said cameras, which generated 80 per cent of revenues, would remain the sales engine.

Harsch, chief executive since 2017, is betting that this time, instead of being a victim of disruption, Leica will benefit as consumers swap TV sets for projectors, boosting its projection kits that sell for €3,500 apiece.

The segment would capitalise on Leica's expertise in lens making but flip the way the image is processed, he said. Instead of filtering light through to a camera sensor, the projectors beam it out on to a surface.

"You have to bring your own areas of expertise into new business areas," Harsch said, adding that the new ventures would take time to deliver.



Aerospace & defence

Boeing order numbers beat Airbus last year

CHRISTIAN DAVIES — DETROIT

Boeing secured more orders than its European rival Airbus last year for the first time this decade as countries rushed to buy US aircraft to curry favour with the Trump administration.

The US aviation group, which was also boosted by progress in its 737 Max jet programme, said yesterday that it booked 1,075 gross orders in 2025 after cancellations and conversions, compared with 1,000 orders reported by Airbus on Monday. Its official backlog rose from 6,019 at the end of November to 6,130 at the end of December.

Boeing also reported it delivered 600 commercial aircraft last year, its highest annual total since 2018. Airbus delivered 793 planes in 2025.

Since 2018, Boeing has been dogged by the fallout from two deadly crashes in Indonesia and Ethiopia involving the 737 Max, its flagship single-aisle aircraft, as well as an incident in January 2024 when a door plug on an Alaska Airlines 737 Max jet blew out in mid-air.

Kelly Ortberg, who took over as chief executive in August 2024, has since

shored up the company's finances, improved industrial relations and stabilised production of the 737 Max.

In September last year, the US Federal Aviation Administration signalled its growing confidence in Boeing's manufacturing and safety procedures by allowing it to issue its own airworthiness certificates for 737 Max and 787 Dream-

The US group booked 1,075 gross orders compared with 1,000 reported by its rival

liner jets for the first time since 2019 and 2022, respectively. The following month, the FAA raised a production cap it had imposed on the 737 Max programme from 38 to 42 jets a month.

Last month, Boeing announced it had completed its long-awaited \$4.7bn takeover of Spirit AeroSystems, a crucial supplier that built the door panel that blew out of the Alaska Airlines 737 Max.

In a memo to employees last week, Ortberg noted the company's progress

but also cautioned more needed to be done, saying "we still have important work ahead of us — perhaps even more than what we accomplished last year".

Shares in the company were up 2.3 per cent during afternoon trading yesterday. The stock is up nearly 45 per cent in the past year.

Boeing's December order numbers were also boosted by Alaska Airlines placing its largest-ever order for 105 Boeing 737s and five 787s, in a move heralded by transportation secretary Sean Duffy last week as evidence that "American manufacturing is back".

The group also saw demand from countries — often under the threat of steep US tariffs — placing record orders for American aircraft.

In May, Qatar Airways said it was ordering up to 210 wide-body planes from Boeing in a \$96bn deal.

Japan agreed to buy 100 Boeing aircraft as part of a trade deal with the US announced in July, while Korean Air said it was placing a record order for 103 Boeing passenger jets hours after South Korean President Lee Jae Myung met Trump for trade talks in August.

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UK COMPANIES

Financial services

Coutts in talks to offer private market funds

Bank negotiating with Ares and Apollo to allow access for its rich clients

ALEXANDRA HEAL AND EMMA DUNKLEY
LONDON

Coutts, the centuries-old bank to Britain's elite, is in talks to offer Ares and Apollo funds to its customers as wealth managers rush to capitalise on the glut of investment by rich individuals into private markets.

The bank to King Charles is working on plans to allow wealthy clients to invest in two so-called evergreen funds managed by the US private capital

firms, according to two people familiar with the matter. NatWest-owned Coutts has also held talks with KKR, the people said, although one added that the bank had not yet signed agreements with any of the firms.

The move would be Coutts' first private markets offering, as a growing number of private banks and wealth managers hurry to capitalise on a flood of new products that alternative asset managers are launching to attract a new class of customer.

Private markets groups have recently opened dozens of funds designed to suit the needs of individual investors as the flow of cash available to the sector from its traditional institutional backers has

slowed. "Coutts is committed to providing innovative investment solutions to its high net-worth clients," said Jan-Marc Fergg, head of investment products and solutions at the bank, adding that it would provide access to the products of "leading" private markets firms to customers who get investment advice from Coutts.

Evergreen funds tend to have no end date and allow for regular deposits, often monthly, whereas withdrawals are usually every few months. Traditionally private markets firms have sold closed-end funds to institutions such as pension plans and endowments.

Coutts was considering offering Apollo's European evergreen vehicle –

which offers exposure to a range of the private capital group's deals including private equity, debt and real assets – and Ares' European evergreen fund focused on direct lending, one of the people said.

The private markets sector and the intermediaries now offering their products say they are democratising access to alternative assets that can earn individuals higher returns for their long-term savings.

Some wealth managers and private banks privately suggest that their industry is rushing into such products in part because of the fees they can charge compared with mutual funds investing in listed stocks. There have also been con-

cerns over the suitability of private markets funds for some individuals, given that they are less liquid than public markets, while valuing unlisted assets is often a more opaque process.

By the middle of last year more than €88bn had been invested in evergreen funds in Europe, more than double the amount in the same period in 2024, according to consultants Novantigo.

Coutts's recent investment outlook for this year said that private equity and private credit should not be viewed as replacements for traditional investing but as complementary parts of a well-structured portfolio.

Apollo, Ares and KKR declined to comment.

Utilities

MPs recall South East Water bosses over outage

GILL PLIMMER — LONDON

South East Water's bosses have been recalled to appear before MPs over a water outage before Christmas as thousands of customers continue to struggle with supply failures.

The parliamentary environment select committee said yesterday that it remained "deeply sceptical" about the water company's version of events after 24,337 properties in Kent were left without water for two weeks before Christmas. Meanwhile, 25,000 properties remain without water caused by new outages that began on Friday night.

The committee said it would seek to recall the utility's senior leadership in the latest salvo in a war of words that has broken out between parliamentarians and the water company.

In a hearing last week, the company's chief executive, David Hinton, partly blamed post-Covid working from home patterns for the outage last month.

Two hospitals, a kidney treatment centre, 15 schools, 19 care homes and 29 nurseries in Tunbridge Wells and the surrounding areas were left without water for two weeks before Christmas.

The select committee was prompted to recall South East Water's leadership after the company's chair, Chris Train, wrote to MPs on Monday disputing the Drinking Water Inspectorate's evidence on the incident, which alleged that the water outage could have been prevented.

The DWI had previously said in a committee hearing that its experts had found the water treatment works had been operating "sub-optimally" for months before the December outage, and that the company had failed to collect appropriate data about the issue.

In a letter to MPs published yesterday, Train, who is also chair of Sellafield nuclear power plant, said he disagreed with the DWI on the "foreseeability" of the event.

Train added that the water provider had been unable to invest in "resilience" because Ofwat, the sector regulator, had refused to sign off on proposed increases in customer bills.

He said this meant the utility had been unable to prepare properly for the speed of climate change and "other developments which have increased demand for water".

Customers are already facing a 38 per cent rise to their bills to about £339 after inflation by 2030 – local sewerage services are provided by Southern Water and charged separately. Southern Water and South East Water have asked for permission to raise bills even higher, and a decision is expected this month.

South East Water's incident manager, Matthew Dean, said: "Around 25,000 customers in Kent and Sussex remain affected by no water or intermittent supplies following the recent cold weather and a subsequent breakout of leaks and bursts across Kent and Sussex, which has resulted in our drinking water storage tanks running very low."

The DWI has said it is investigating the water outages and the actions taken by South East Water, and its communication to customers.

Ofwat said: "We are concerned that residents in Kent and Sussex are without water again. We will review all of the evidence before taking a decision on what further action may be required."

The company did not immediately respond to a request to comment on the select committee's recall.

Financials

Wellcome holds 'elevated cash' as stocks lose allure

EMMA DUNKLEY

The Wellcome Trust, one of the world's wealthiest charitable foundations, is holding elevated levels of cash, citing concerns over record-high equity markets.

The Trust, which manages nearly £40bn and funds research to tackle global health problems, said in its annual report that equity markets were "expensive". "The real return outlook for listed equities on a five to 10-year view is inevitably more subdued than returns since the global financial crisis," the report said. "At some point this trend will reverse . . . however, timing that inflection point is impossible."

It added that current "elevated cash levels" gave it more flexibility "in the near to medium term . . . when listed equity markets are at all time highs".

Global stock markets posted a third straight year of double-digit gains in 2025 as they shrugged off the turmoil triggered by President Donald Trump's trade war and fears of an AI sector bubble. Wall Street's S&P 500 rose almost 16.5 per cent.

The Wellcome Trust was founded in 1936 after the death of pharmaceutical entrepreneur Henry Wellcome. It focuses on funding scientific research into mental health, infectious diseases, and climate and health.

The report said another challenge was "exceptional levels" of market concentration with the dominance of big US tech stocks making it harder for asset managers to outperform the index.

"Market concentration continues to be a very striking feature," Fabian Thehos, managing partner and co-chief investment officer, told the FT. "That creates a difficult backdrop for active management," he added.

The trust's biggest stock holding is US tech group Alphabet and its other top 10 public equity holdings include Microsoft, Amazon and Apple.

Despite the market challenges, the trust returned 10.2 per cent in sterling terms in the year to the end of September. Its charitable spending rose to £1.9bn, from £1.6bn a year earlier.

The charity's investment portfolio value increased to £39.9bn over the period while total funds, less all liabilities, rose to £35.7bn, up from £33.9bn the previous year.



Step up Fortnum's to rebuild its EU business

The new double helix staircase drew shoppers to Fortnum & Mason's flagship store on London's Piccadilly towards the end of last year — Timothy Soar

Fortnum & Mason plans to bolster investment in its European business as the UK and EU's attempts to reset trading relations raise hopes that the upmarket retailer can rebuild international sales lost as a result of Brexit.

Chief executive Tom Athron told the FT that a proposed wide-ranging deal between London and Brussels "would have the significant benefit of opening up that market more meaningfully to British businesses again".

The retailer's hampers, teas and jams are popular with UK expats and international buyers looking for quintessentially British groceries. However, Fortnum's decided to stop selling in the bloc because of the additional export costs and bureaucracy resulting from Brexit, hitting about 8 per cent of its revenue.

Sir Keir Starmer's government is working on a deal with EU counterparts that would remove red tape for British food and drink exporters. "The mood music is positive and that's giving me the confidence to invest in our EU business," Athron said.

"I sense a degree of pragmatism in that relationship, which is very encouraging."

The FT reported at the weekend that the EU was demanding the inclusion of a "Farage clause" that would entail Britain paying significant financial compensation if a future government quits a revised deal governing food and drink exports.

Fortnum's, which holds two Royal

'I sense a degree of pragmatism in [the UK-EU] relationship, which is very encouraging'

Warrants, set up a distribution centre in Belgium in 2023 to restart deliveries to customers on the continent. "We're getting some real confidence that the demand is still there," Athron said.

The 319-year-old retailer said it would also focus on growing its online business in the US as the threat of tariffs subsidies. Its sales were dented in the first half of last year by President

Donald Trump's trade war, which imposed stricter country of origin rules and removed the "de minimis" exemption for parcels worth less than \$800. The US removed tariffs on some agricultural products in November.

"I think the Americans realised that . . . there was no tea industry in America to protect," said Athron. "There are 159mn people in America who drink tea every day and they all saw the price of their cup of tea go up 50 per cent."

Growth in online sales helped drive a 16 per cent increase in revenue at Fortnum's in the five weeks to December 24.

Like-for-like sales in stores rose 7 per cent as shoppers were drawn to its flagship store on London's Piccadilly to view its new double helix staircase.

In the year to July, Fortnum's reported a 5 per cent rise in revenues to £239mn, according to results filed at Companies House on Tuesday. Pre-tax profits were £15mn. Philip Stafford

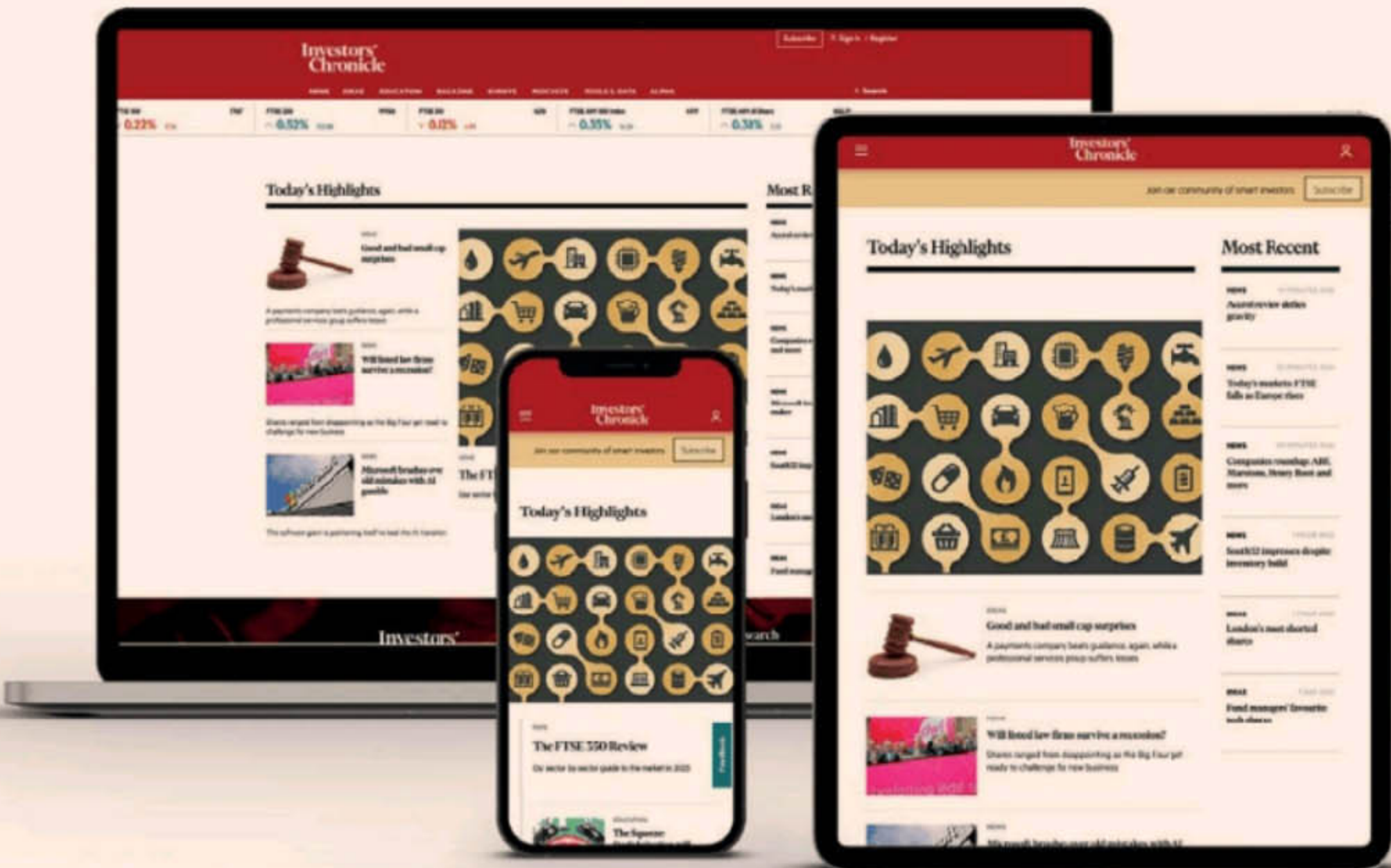
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COMPANIES & MARKETS

Crypto. Supercharged bets

Strategy diehards keep the faith in face of Wall Street scepticism



Bitcoin hoarder’s shares slide but retail traders still view founder as a ‘visionary leader’

NIKOU ASGARI — LONDON

His shares in bitcoin hoarder Strategy may have fallen in the nearly two years since he bought them but plastic surgeon Ben Stong is unbothered.

The doctor believes that “the market doesn’t understand” the US company, which has spearheaded aggressively raising money to buy bitcoin but whose shares have plunged dramatically.

“I don’t really look at the share price as a value of the actual shares because the whole entire market is mispricing Strategy,” said Stong, whose clinic in Atlanta accepts payment in bitcoin and who first bought Strategy shares in the spring of 2024.

For diehard retail investors, Wall Street’s scepticism of Strategy’s business model is irrelevant and overblown. They are hoping to be proved right in 2026. Strategy’s success in becoming the world’s largest corporate holder of bitcoin began largely thanks to an army of retail traders buying its shares and trumpeting its success, often looking for an easy way to make supercharged bets on the price of bitcoin.

Founder Michael Saylor is viewed almost as a cult figure, celebrated for defying most of established finance by building a company almost entirely based on bitcoin.

“I see him in the same category as people like Elon Musk or Steve Jobs – visionary leaders who are able to think outside the box and pioneer entirely new approaches,” said a 30-year old

British pharmacist who has about £83,000 in Strategy shares.

“I look up to Saylor and I’m genuinely grateful for the work he’s done,” he added.

Strategy has since 2020 continuously raised money from stock and bond markets and spent it on buying bitcoin.

Bitcoin evangelist Saylor has led a global movement, proselytising the power of the cryptocurrency to thousands of investors and company executives around the world. Strategy’s shares soared in late 2024 and were at near record highs last summer.

But they have since plunged as big investors and Wall Street analysts question whether the business model is sustainable at a time when bitcoin’s price has also fallen. The stock has halved over the past 12 months.

Some Strategy diehards believe that traditional financial players are pushing for the company’s downfall and blame its share price slide on short sellers and big banks that published sceptical reports last year.

“There’s been some very artificial



manipulation of the prices,” said Adam Graham, a 45-year-old podcaster from Idaho who has about \$8,000 in Strategy stock.

“I’ve lost money on everything but the preferred offerings,” Graham added, referring to types of shares that pay holders as much as 11 per cent in annual interest. Despite this, he said: “I’m not terribly concerned . . . I’m confident in the long term.”

Stong said: “The market doesn’t understand it, there’s a lot of FUD out there about the stock,” referring to fear, uncertainty and doubt, a common acronym in the crypto world often levelled at unbelievers.

He added that his investment in Strategy was in the high hundreds of thousands of dollars.

Bitcoin has lost about 4 per cent over the past year, trading at around \$90,000, even though the US government has made crypto a national strategic priority and embarked on a concerted push to make digital assets mainstream.

Fading risk appetite and worries about excess leverage sent bitcoin’s price down in October and November and have kept it low.

Meanwhile, the sustainability of Strategy’s business model has been called into question, sending its shares down 63 per cent from last summer’s highs.

The British pharmacist said he was “not really fussed” about Strategy’s share price performance.

He bought £29,000 worth of the stock in December as the price fell, using money he had saved for buying a house – a purchase he said had now become unattainable in the UK.

“This is a multi-decade investment for me,” he added, believing that as

True believer: Strategy founder Michael Saylor is regarded almost as a cult figure, celebrated for defying most of established finance

Ronda Churchill/Bloomberg

inflation eroded his savings, bitcoin would outperform over time.

Holding Strategy stock in UK Isa accounts was more straightforward than holding bitcoin directly, he said.

“Working with solicitors and mortgage brokers, they wanted to do extra checks and [it] was expensive whenever you mentioned crypto.”

One risk that was hanging over the stock’s performance this year has eased for now – index provider MSCI shelved its plan to consider excluding digital asset treasury companies such as Strategy from its indices.

If ejected, Strategy’s shares would probably have sunk as flows from passive, index-tracking funds disappeared.

Seemingly conscious of the sustained scepticism last year and the waning appetite for its shares, Strategy raised money from the stock market not to buy bitcoin but to create a dollar reserve that it would use to pay investors’ dividends if necessary. The cash reserve was boosted from an initial \$1.44bn in December to \$2.25bn this month.

“Tame your bear,” Saylor posted on X late last year, alongside an AI-generated image of himself with a polar bear.

Retail investors’ belief in the company relies on the hope that the price of bitcoin will rebound this year, defying detractors.

“Everything else is basically gambling and the one true asset that will survive time is bitcoin,” said Stong.

When Strategy opened an online merchandise shop last February, the hair transplant and facial aesthetic specialist bought a sweatshirt, T-shirt and limited edition Strategy-branded Nike trainers.

Unlike its shares, the price of Strategy’s trainers on resale websites has since jumped 12-fold.

‘I see him in the same category as people like Elon Musk or Steve Jobs’

Commodities

Pentagon invests \$150mn in US gallium group to secure defence supply chains

STEFF CHÁVEZ — WASHINGTON
CAMILLA HODGSON — LONDON

The Pentagon has taken a \$150mn stake in a Louisiana-based gallium company as Washington tries to shore up supplies of materials essential to defence manufacturers and to counter Chinese dominance of supply chains.

Atlantic Alumina Co said on Monday that the Pentagon’s investment would be followed by more government funding within 30 days of the preferred equity purchase closing.

Commodities investment firm Pinnacle will also invest \$300mn in Atalco.

The US’s major defence contractors have been concerned about sourcing gallium, which is critical for systems including radars, missile seekers, satellites and radio systems.

Washington has accelerated efforts to bolster its supply of critical materials, with the Trump administration planning to pump billions of dollars into such investments.

The Pentagon did not immediately respond to a request for comment about the latest deal.

Gallium, a trace element in multiple

minerals and ores, is a byproduct of alumina production, which is not produced in the US.

It is among the critical metals subject to Chinese export controls, underscoring Beijing’s dominance over supply chains crucial to industries including technology and defence.

China accounted for about 99 per cent of refined gallium supply in 2025 as well

As about 70 per cent of global demand, according to market intelligence group Project Blue.

Atalco said it expected to eventually produce more than 1mn tonnes of alumina and 50 tonnes of gallium annually in Louisiana and become “capable of meeting the total gallium demand signal of the US” but it did not specify a timeline.

In November, the Pentagon awarded \$40mn to ElementUSA Minerals to sep-

Equities

Japan stocks soar and yen falls as election talk reignites Takaichi trade

LEO LEWIS — TOKYO
IAN SMITH — LONDON
WILLIAM SANDLUND — HONG KONG

Japanese stocks surged to an all-time high yesterday and the yen tumbled to a 19-month low as markets bet that a possible snap election next month would reignite the so-called Takaichi trade.

Shares on the Nikkei 225 Average jumped 3.1 per cent while the yen weakened during the session to ¥159 against the dollar, its lowest rate since July 2024 and close to levels at which Japan’s finance ministry has previously stepped in to support the currency.

The Japanese currency was at ¥159.06 in late afternoon trading in Europe.

Brokers in Tokyo said domestic and foreign investors were driving the equities rally.

The market moves were underpinned by speculation that Prime Minister Sanae Takaichi would call an early election, betting on using her support among younger Japanese to try to restore her Liberal Democratic Party’s majority in parliament.

A Japanese media report, citing senior ruling party sources, said Takaichi had signalled to the LDP her intention to call a snap election after dissolving parliament on January 23. She took over the

‘With the China row still bubbling, the market is waiting for Takaichi to do something bold’

party leadership in October and has since enjoyed high approval ratings.

“With the China row still bubbling and with popularity at these very high levels, the market and the electorate are waiting for Takaichi to do something bold,” said Neil Newman, Japan strategist at Astris Advisory. “Calling an election now would be that move.”

Markets have tested a variety of Takaichi trades since October, based on the idea that she favours more government stimulus and would oppose too rapid a rise in interest rates.

Her \$135bn stimulus proposal has spooked bond markets and weighed on the yen while boosting equities.

Stock buying yesterday was focused on technology, defence and basic materials, all areas expected to benefit from Takaichi’s spending focus. The broader Topix equities benchmark closed 2.4 per cent higher.

A sell-off in government bonds continued. Yields on 20-year Japanese government bonds set a record high just above 3.14 per cent while the 10-year yield climbed to 2.16 per cent – its highest since February 1999.

The market remained tilted towards a weaker yen, said Barclays Japan economist Naohiko Baba in a note to clients yesterday, adding: “If the exchange rate approaches ¥160, FX intervention may be anticipated.”

Some market participants remain sceptical that Takaichi will risk a snap election, given the overall popularity of the LDP remains relatively low.

Equities

Ørsted rallies after court lifts block on key American wind farm project

RACHEL MILLARD

Ørsted shares rose nearly 6 per cent yesterday after a US court ruled that it could continue to build a key US wind farm despite having its lease suspended by the Trump administration.

The Copenhagen-listed company rallied after Revolution Wind, its joint venture with Skyborn Renewables, on Monday won its request to the US District Court of Columbia for a preliminary injunction blocking the suspension.

Ørsted said the move would allow it to restart work on the wind farm off the US north-east coast immediately while it continued to challenge in the courts both the lease suspension and an earlier stop-work order.

“I am satisfied with the outcome – it’s an important project,” said Rasmus Errboe, Ørsted’s chief executive.

Ørsted climbed as much as 6.6 per cent before easing back to close 5.4 per cent higher at Dkr134.60.

It is the second time a court has found in favour of Revolution Wind after the September lifting of an earlier stop-work order issued the previous month.

The project, which is almost 90 per

cent complete, is among five major offshore wind farms under construction in the US whose leases were suspended on December 22 by the Trump administration, citing national security concerns.

The suspended projects included a wholly owned Ørsted project, Sunrise Wind, and Equinor’s Empire Wind, both of which are also challenging their suspensions in the courts.

Errboe said he had not yet been given a date from the court for a hearing on Sunrise Wind but anticipated that it would be this month or early February.



The Revolution Wind joint venture can resume work on its facility

COMPANIES & MARKETS

Lawfare comes for dollar with attack on Fed

Barry Eichengreen

Markets Insight



Is the Trump administration's latest attack on the US Federal Reserve and its chair, Jay Powell, a serious threat to the dollar's position as the leading international and reserve currency – and therefore to global economic and financial stability?

The answer, in a word, is yes. President Donald Trump has his own personal view of the appropriate level of interest rates, namely that these should beat most 1 per cent or less.

Last Friday's justice department missive threatening a criminal investigation of Powell over renovations at the central bank's headquarters is a signal that his administration is prepared to go to any length to obtain the desired result.

Anyone with a modicum of financial literacy knows that Trump's position on interest rates is, to use the technical economic term, crazy. Sharp interest rate cuts when inflation is already running significantly above its 2 per cent target would fuel inflation, demoralise investors and ignite a rush out of dollar assets.

Trump would presumably welcome a modestly weaker dollar on the grounds that this would boost US exports. But the exchange rate effect of this justice department initiative, if it succeeds, would be anything but modest. It would be a dollar crash.

The attack on Powell appears designed to prevent him remaining on the Fed board for two additional years after his chairmanship ends in May.

I suspect the administration's immediate fear is that Powell could head up a group of members on the policy-setting Federal Open Market Committee that would seek to block rate cuts.

More generally, going after Powell follows on from the administration's efforts to stir up misconduct accusa-

tions against Fed governor Lisa Cook. The combination signals that any FOMC member who dares to dissent from the president's monetary line could become the target of lawfare.

International investors would react negatively, even violently, to Trump packing the Fed board and directing monetary policy from the Oval Office.

Central bank reserve managers, and investors in general, require assurance the central bank of the reserve currency country will not come under irresistible political pressure to pursue a misguided monetary strategy that inflates away the value of their claims.

It is not a coincidence that every leading international and reserve currency of

Central bank reserve managers have already been rebalancing their portfolios towards gold and non-traditional reserve currencies.

Obviously, these non-traditional reserve currencies, even collectively, lack the scale to fill the dollar's global shoes. And gold prices are already at nosebleed levels, making it expensive and risky for central banks to add further to their gold reserves.

But nothing prevents central banks from replacing dollars with domestic investments, not just bonds but also less liquid domestic investments, following the example of sovereign wealth funds.

The consequences for the global economy would not be pretty. Fewer foreign reserves would mean less capacity for central banks to intervene in foreign exchange markets, increasing volatility.

More generally, there would be a shortage of international liquidity – of liquid assets that are universally accepted in payment for cross-border commercial and financial transactions. Those transactions would become much more costly to finance. In the worst case, this would spell the end of globalisation as we know it.

We have seen this scenario once before, where governments compromised the autonomy of their central banks, spawning financial instability and causing global liquidity to implode.

We saw it in the 1930s. This is not a period on which most people, in financial markets or elsewhere, look back fondly.

Barry Eichengreen is a professor at the University of California, Berkeley and the author of the forthcoming book 'Money Beyond Borders: Global Currencies from Croesus to Crypto'

The day in the markets

What you need to know

- Wall Street hovers near record highs as fourth-quarter earnings season begins
- Early optimism over US inflation data damped by JPMorgan profits drop
- Dollar advances after traders rethink bearishness and political risks

US stocks hovered near record highs yesterday as Wall Street's fourth-quarter earnings season began.

The blue-chip S&P 500 index was flat by early afternoon in New York, just shy of reaching 7,000 points for the first time.

The tech-heavy Nasdaq Composite index nudged 0.1 per cent higher.

Bank stocks slipped after JPMorgan kicked off the earnings proceedings by reporting a 7 per cent drop in profits in the three months to the end of December, sending its shares down 31 per cent.

Morgan Stanley's stock also retreated and was down 1.6 per cent while Goldman Sachs was 0.9 per cent lower.

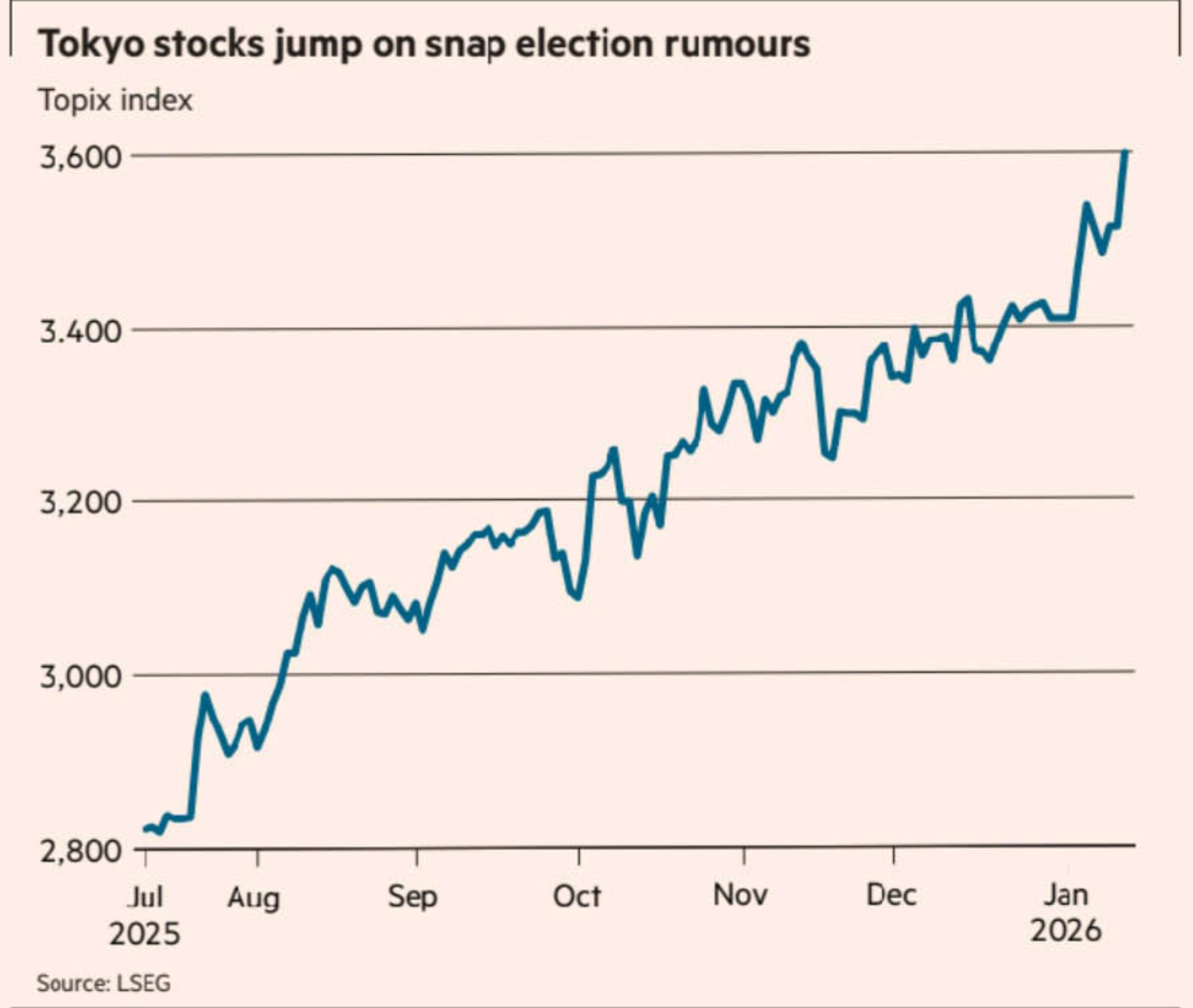
The JPMorgan results quelled early optimism as new US inflation data showed that price growth in the world's largest economy is being contained.

December's consumer price index reading was unchanged from November at 2.7 per cent with core inflation just below expectations at 2.6 per cent.

"The encouraging inflation news helps ease the dilemma of the Federal Reserve," said Michael Pearce, chief US economist at Oxford Economics.

"With inflation fears fading, officials will feel freer to respond to downside risks to the labour market, should conditions deteriorate," he added.

US government bonds were steady after the data while politicians, central



bankers and investors continued to react to the US government's criminal investigation into Fed chair Jay Powell.

The US 10-year yield was flat at 4.18 per cent. The two-year yield, which is more sensitive to changes in interest rate expectations, slipped 1 basis point to 3.53 per cent amid modest buying of the debt.

The dollar climbed 0.3 per cent against a basket of other major currencies, reversing a drop on Monday following the news of the investigation into Powell.

"Markets have started to rethink some of their dollar-bearish Fed independence bets following pushback . . . from

Republican lawmakers," said Francesco Pesole, FX strategist at ING. "The risks of another rapid drop [in the dollar's value] have abated."

Across the Atlantic, the pan-regional Stoxx Europe 600 index fell 0.2 per cent while Frankfurt's Xetra Dax and London's FTSE 100 benchmark were flat.

In Japan, the yen dropped 0.6 per cent against the dollar, reaching its weakest level since mid-2024, as markets reacted to speculation that Prime Minister Sanae Takaichi would call an early election, which also pushed Tokyo stock indices higher. **Emily Herbert**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	6954.24	2435.83	53549.16	10137.35	4138.76	162086.82
% change on day	-0.33	-0.05	3.10	-0.03	-0.64	-0.65
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	99.15	1.165	158.935	1.344	6.98	5.379
% change on day	+0.29	-0.265	0.620	-0.286	+0.06	0.183
Govt. bonds	10-Year Treasury	10-year-Bund	10-year JGB	10-Year Gilt	10-year-bond	10-year-bond
Yield	4.1753	2.847	2.1664	4.4915	1.8658	13.6258
Basis point change on day	0.0469	-0.1316	-0.352	-0.239	0.0785	-0.0412
World / Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	6833.67	65.73	60.75	4613.63	83.90	5441.60
% change on day	0.03	+3.53	+3.26	0.07	+2.10	+1.97

Yesterday's close apart from: Currencies = 16:00 GMT; S&P Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix

Main equity markets



Biggest movers

	US	Eurozone	UK
Ups	Intel Advanced Micro Devices Estee Lauder CF Industries Hldgs Revvity	Sonova Holding Tenaris Equinor TotalEnergies Eni	Trustpilot Group Greencore Whitbread Ithaca Energy Senior
Downs	Salesforce Inc. Adobe Royal Caribbean Group MasterCard Visa	Vinci St Gobain (Cie De) Recordati Kingspan Grp AP Moller-Maersk B	THG PageGroup Smith & Nephew SSP Group Kingfisher

Prices taken at 17:00 GMT 13/01/2026 Based on the constituents of the FTSE Eurofirst 300 Eurozone All data provided by ICE www.ice.com

Equities

‘South Korean Google’ pitches alternative to American and Chinese cloud services

SONG JUNG-A — SEOUL

Naver, the search engine group often called “South Korea’s Google”, is pitching its cloud services to countries in the Middle East and south-east Asia as an alternative AI option to US and Chinese technology giants.

Kim Yuwon, chief executive of Naver Cloud, said the company could be a strong alternative for countries reluctant to use American or Chinese cloud systems out of security concerns.

Naver’s stock has risen 20 per cent in the past 12 months on expectations for its AI services.

The South Korean group can tailor AI services to individual countries and allow them to maintain control over their data, he said.

“Tech giants in the US and China are targeting bigger markets with their generic AI models,” Kim told the FT. “They don’t have much room for customised services for each country.”

Amazon, Microsoft and Google dominate the cloud computing services

crucial to AI, controlling more than 60 per cent of the global market, according to Synergy Research Group, while Alibaba and Tencent hold sway in China.

Countries concerned about Washington being able to access data stored in US companies’ cloud systems have embraced so-called sovereign AI, in which they build or adopt their own pro-

Naver says it can offer control over more parts of the technology ‘stack’ than US counterparts

prietary systems and store data locally for faster access and more control.

Naver said it can be a preferable option for these countries as it can offer control over more parts of the technology “stack”, ranging from data centres to applications, and “more autonomy” over data than US counterparts.

The company, which runs the most widely used search engine in South

Korea, has been the largest purchaser of Nvidia chips in its home market, receiving more graphics processing units than Samsung or Hyundai as it aggressively builds AI infrastructure overseas.

Naver plans to invest more than Won1tn (\$690mn) this year to expand its AI infrastructure, including securing 60,000 units of Nvidia’s most advanced Blackwell GPUs as part of South Korea’s plan to buy 260,000 chips from the US company.

It is running cloud regions in Germany, Japan, Singapore and the US west coast and planning more in Taiwan, Thailand, Vietnam and the US east coast.

It is also building a 500MW data centre in Morocco to deliver sovereign AI capacity.

“Customisation is very important because each country has different social problems, political context, religious faiths and value systems,” said Kim, adding that the company was focused on markets in the Middle East and south-east Asia, as well as Japan.

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Janus Henderson Asian Divi Inc Unit Trst Inc	88.04	-	0.52	7.50	0.00	0.00
Janus Henderson Cautious Mngd Furd A Acc	346.06	-	-0.20	3.80	7.76	5.20
Janus Henderson Cautious Mngd Furd A Inc	152.90	-	-0.10	3.90	4.06	5.49
Janus Henderson China Opp Fund A Acc	1413.00	-	9.00	0.30	4.30	-7.78
Janus Henderson Emerging Markets Asia A Acc	1597.00	-	3.00	0.00	7.66	3.13
Janus Henderson Emerg Mkts Opps Fnd A Acc	261.00	-	0.50	0.00	11.90	6.19
Janus Henderson Mid & Large Cap Fund	387.80	-	0.00	0.70	9.81	11.69
Janus Henderson Euro. Sel Opps Fund A Acc	3184.00	-	0.00	0.70	1.81	14.10
Janus Henderson Fixed Int Mthly Inc Fnd Inc	17.64	-	0.00	6.10	2.23	2.84
Janus Henderson Global Equity Inc Fnd Inc	79.36	-	0.12	2.60	6.92	7.17
Janus Henderson Global Select Fund Acc	6165.00	-	18.00	0.00	15.29	11.29
Janus Henderson Global Sust Equity Fd A Inc	642.00	-	-0.20	0.00	13.29	11.67
Janus Henderson Global Tech Ldrs Frd A Acc	5807.00	-	19.00	0.00	27.97	26.52
Janus Henderson Invtl UK Index Opps A Acc	164.58	-	-0.85	2.50	12.28	1.83
Janus Henderson Multi-Assst Abs Rtn Fd A Acc	183.00	-	-0.10	2.00	4.80	4.19
Janus Henderson Multi-Mgr Actv Fd A Acc	315.50	-	0.00	1.60	7.75	7.27
Janus Henderson Multi-Mgr Dist Fd A Inc	134.20	-	0.10	2.90	2.90	3.00

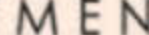
Oasis Crescent Global Investment Funds (UK) ICVC							(UK)
Regulated							
Oasis Crescent Global Eq Fd (USD) A (Dist)	\$	51.62	-	0.34	0.00	13.22	14.37
Oasis Crescent Global Inc Fd (USD) A (Dist)	\$	10.41	-	0.00	0.00	2.27	1.79
Oasis Crescent Low Equity Fund (USD) D (Dist)	\$	15.62	-	0.08	0.00	8.92	8.69
Oasis Crescent Med Equity Fd (USD) A (Dist)	\$	17.94	-	0.10	0.00	9.84	9.78
Oasis Crescent Prop Equity Fd (USD) A (Dist)	\$	9.98	-	0.01	0.00	17.64	6.92
Oasis Crescent Short Term Inc Fd (USD) A (Dist)	\$	0.95	-	0.00	0.00	0.78	0.87
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Trojan Exclusions X GBP Acc	£	1.3169	-	0.00	0.00	9.80 7.44
Trojan Global Equity O GBP Acc	£	6.4279	-	-0.05	0.20	11.94 11.12
Trojan Global Income (Ireland) O GBP Acc	£	1.1824	-	0.00	0.00	8.86 0.00
Trojan Income (Ireland) O GBP Acc	£	1.7381	-	-0.01	0.00	7.80 0.00
Trojan (Ireland) O GBP Acc	£	1.8394	-	0.00	0.00	8.06 0.00

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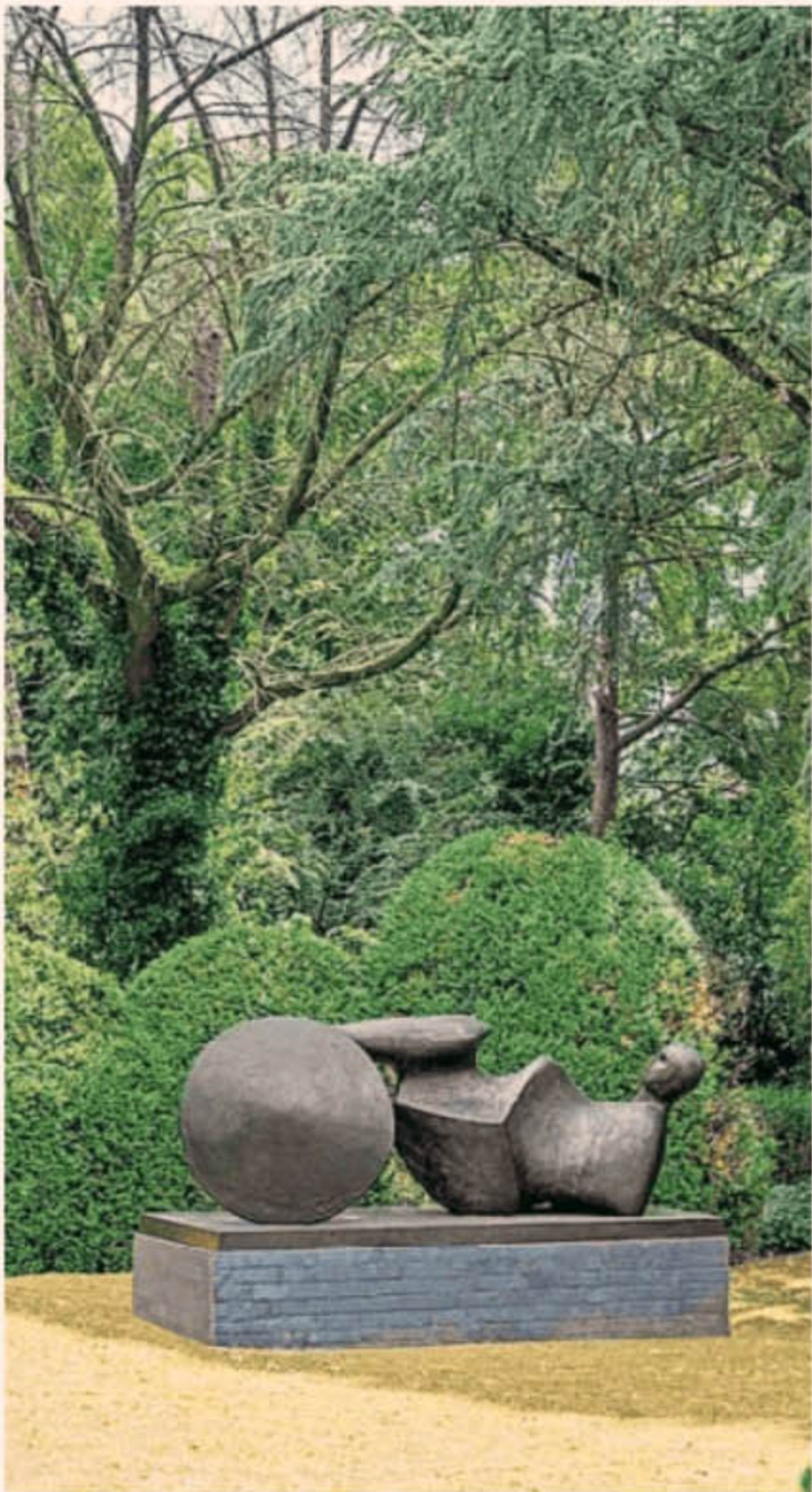
ARTS

Death gives auctions a new lease of life

The Art Market | *Record estate sales keep the market moving but can mask the real value of art, writes Melanie Gerlis*

The supply of art for auction has long relied on what are known as the three Ds: debt, divorce and death. In recent years, the latter has dominated as a certain breed of collector – notably the self-made millionaires who bought art in the US golden age of the 1950s and 1960s – reached the end. “What is new is the scale, in volume and value,” says Caroline Sayan, president and CEO of the art advisers Cadell North America. Previously at Christie’s for 25 years, she oversaw estate sales including the \$835mn collection of Peggy and David Rockefeller in 2018, the year after the industrialist heir died. “Think of it as like planes landing. Before this time, there were smaller jets, individual planes, and it was easy to manoeuvre. Then, all of a sudden, these jumbo jets started coming in,” she says. Statistics from the analysis firm Art-Tactic show that in 2018, single-owner collections – predominantly estates – accounted for \$2.1bn (17 per cent) of auction totals, up from \$820mn (7 per cent) in 2017. Since then, totals and percentages have surpassed this, with single-owner collections averaging \$2.6bn in value and accounting for 23 per cent of auction sales in 2021-25. The impact on the market and its all-important mood is notable. In 2022, the year of the record-breaking \$1.6bn sale of works from the collection of Microsoft co-founder Paul Allen, art sales as a whole, including from the private dealer sector, were at their highest level for eight years, according to the Art Basel & UBS Art Market report. Last year’s bounce into the black was helped by the \$527mn sale of art from the cosmetics heir Leonard Lauder. When such collections come to market, buyers tend to pay a premium for

the pull of the previous owner – and the auction houses have proved adept at the storytelling that boosts this. The halo effect of provenance can be seen on a broader and more pronounced scale at celebrity sales, such as the 2023 auction of Queen frontman Freddie Mercury. It included items such as a silver moustache comb from Tiffany, estimated between £400 and £600, which sold for £152,400. At the other end of the scale, at the Rockefeller auction, a late Monet water lily painting, estimated at \$50mn, sold for \$85mn. Such inbuilt inflation, and the tendency for such auctions to sell out, arguably masks the real, and sometimes declining, value of art. Sayan says that, for those in the know, “one major sale by Claude Monet doesn’t lift all his work; Monet isn’t a stock”. But, she says, “it can give confidence about the overall market, whether that is right or wrong”. The latest collection to boost the block comes courtesy of the late Belgian couple, Roger and Josette Vanthournout, whose 200-plus works will be offered at Christie’s in London in March, valued at about £40mn. Their names may not be as familiar as Rockefeller or Allen but, says Olivier Camu, Christie’s deputy chair of impressionist and modern art, “they were very serious collectors and very well known in the art market. When they approached a gallery stand at, say, Art Basel, art dealers paid attention.” Works that the Vanthournouts once owned have already made a splash. Part of their collection came to auction at Sotheby’s, after Roger Vanthournout died in 2005. This included Francis Bacon’s ominous and fleshy “Version No 2 of lying figure with hypodermic syringe” (1968), which sold for \$15mn, then a record price for the artist. Josette



Pablo Picasso’s ‘Nu debout et femmes assises’ (1939); left, Henry Moore’s ‘The Goslar Warrior’ (1973-74) – both included in the Vanthournout collection – Christie’s

Vanthournout kept the bulk of the collection, to live with in their Flanders home, which Camu describes as a “treasure trove”. She died last year and now their family is “selling it to the world”, Camu says. Highlights include René Magritte’s supersized leaf in a lonely mountain-scape, “La plaine de l’air” (1940), estimated at £3.5mn-£5.5mn, and Max Ernst’s similarly barren “Seestück” (1921), estimated at £1.5mn-£2.5mn. About a third of the collection is in such surrealist and dada works, Camu says, though there is also a cubist double portrait of Dora Maar by Pablo Picasso (“Nu debout et femmes assises”, 1939, £3mn-£5mn) and plenty of modern

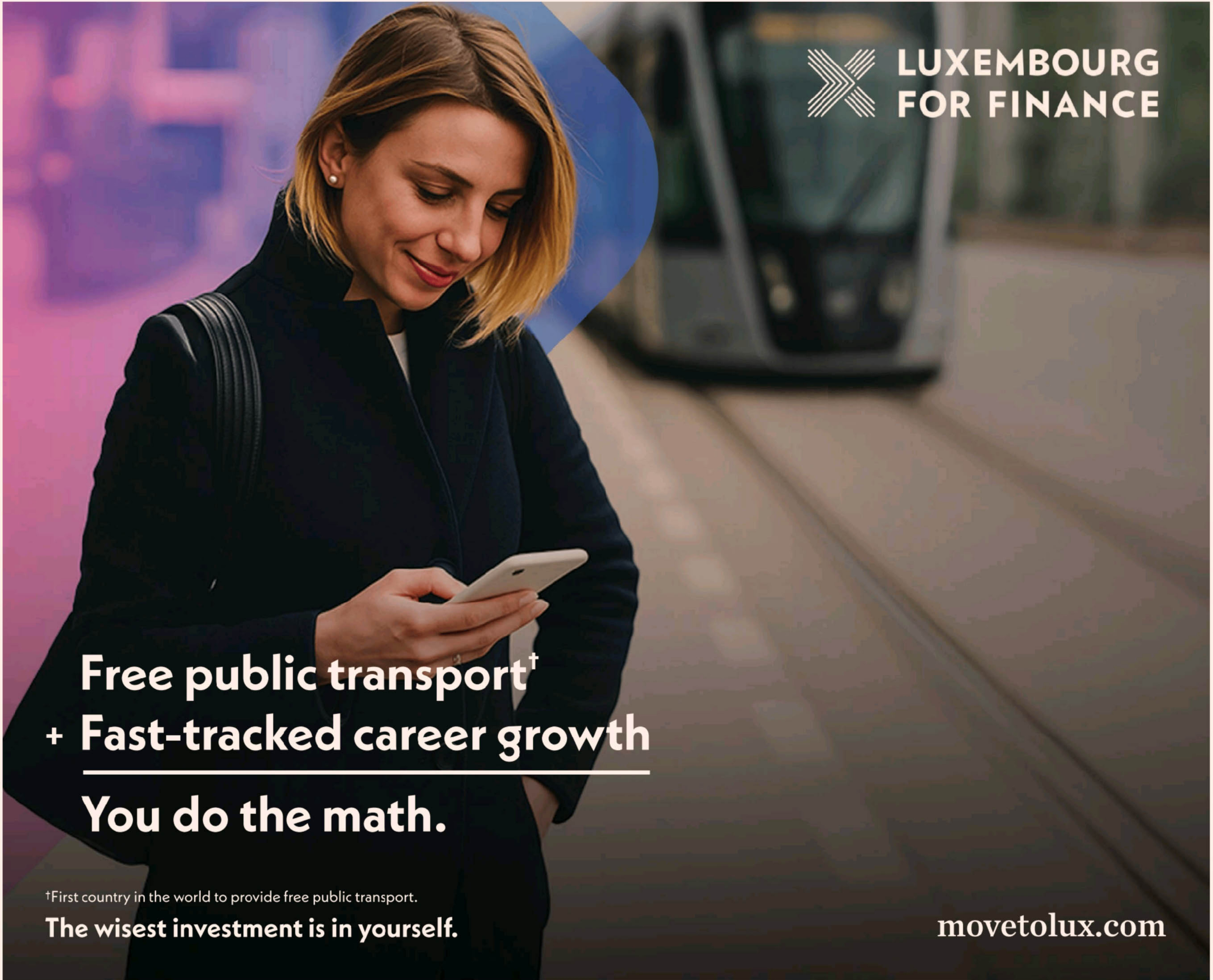


Above: René Magritte’s ‘La plaine de l’air’ (1940) – Christie’s

British art, including sculptures by Henry Moore, Barbara Hepworth and Lynn Chadwick. Estate sales are not without their challenges, Sayan says. “It isn’t so much that collections distort demand, but they can absorb it . . . They take up the calendar slots, marketing and so on.” Hence, estate sales with hundreds of items are rarely all live auctions – the Vanthournout sale will have about half of its works offered online for a couple of weeks, as well as in dedicated evening and day sales (March 5-6). The overflow of lower and mid-value collections can benefit auction centres outside of dominant New York – the Vanthournout sale is a boost for London – as well as the regional auction houses. Next month, London’s Olympia Auctions has more than 300 items, including art books, which belonged to the cultural critic and author John Russell Taylor, who died last year. The live auction has a combined estimate of about £200,000. The challenges of an estate auction are exacerbated by a need for speed in what can be a slow-moving market. In the US, for example, “estate taxes are often due nine months after the date of death”, Sayan notes. Familial disagreements can add to the hastening, and estimates can be set relatively low when the aim is simply to sell. “Auctions resolve any problems of liquidity and prices are transparent, so the IRS [the US tax authority] can’t argue,” Sayan says. Estate lawyers are probably also

attracted by the price gains of some of the art that was bought in the postwar period. The Vanthournouts’s £5.5mn Magritte was bought privately in the late 1960s, a time when such works “would cost less than £30,000”, Camu says. While there are only so many such estates, there seem to be enough to keep the market moving. The Great Wealth Transfer of trillions of dollars from the wealth-creation generations has only just begun, Sayan notes. Josh Baer, an industry observer and private dealer, predicts that this year “at least four collections worth over \$200mn will come to the auction market”. The recent deaths of respected collectors such as the New York banker-turned-gallerist Robert Mnuchin and the patron and philanthropist Agnes Gund are among those expected to keep the auction houses busy, while debt and divorce are not going away fast. Sayan says the specialists are primed to compete for the goods, in a still-hesitant market: “Strategic intent has moved from a game of checkers to a game of chess.”

Buyers often pay more for the pull of a previous owner and the auction houses are adept at the storytelling to boost this





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Nations are hoarding rice and grain as insurance against a world they increasingly view as unstable. But many economists believe it may be counter-productive or even harmful to food supplies.

By Susannah Savage

The return of food stockpiling

In the early 18th century, Finland was familiar with the fear of hunger. A famine fuelled by an unpredictable climate had killed off a third of the population in the 1690s. The Great Northern War with Russia further disrupted farming, as well as everything else, in the first 20 years of the century. So in 1726, the country began setting aside grain to ensure it could feed the population in case of emergency. Long winters, a short growing season and disruption from clashing empires demanded it. Three centuries later, that logic is shaping policy far beyond Finland. Decades after governments dismantled food reserves and placed their faith in global trade, a growing number are rebuilding emergency stockpiles. From Sweden and Norway to India and Indonesia, states are holding back increasing quantities of rice, wheat and other staples as insurance against a world they increasingly view as unstable. “When the cold war ended, somehow we were the only ones who stuck with these stockpiles . . . because you never know what is going to happen,” says Miika Ilomäki, chief preparedness specialist for Finland’s National Emergency Supply Agency. Finland, long regarded as an outlier for maintaining extensive emergency reserves, is starting to look prescient. Norway, its neighbour, is building up its grain stockpiles again, adds Ilomäki, and “Sweden is taking the first steps to have these stockpiles too.” The return of food stockpiling reflects a convergence of shocks: pandemic dis-

‘Once a few economies go down the road of food protectionism, everybody feels like they have to do it as well’

ruption, a general sense of global unease with the war in Ukraine and recent conflicts in Gaza, Venezuela and Iran, climate volatility and the renewed weaponisation of trade. It also exposes a deep faultline in global economic thinking. Governments argue that markets can no longer be relied upon in a crisis and that food, like energy, must be treated as a strategic asset. Economists and trade officials counter that when many countries hoard at once, they risk tightening global supply, pushing up prices and hurting the poorest importers. What looks like prudence at home, critics warn, may become instability abroad. “The Scandinavian countries serve as a barometer of global geopolitical risk and so the extent that they’re bringing food stocks back up, means that they’re perceiving an increased geopolitical stress in the world,” says Frederic Neumann, chief Asia economist at HSBC, warning that “food might be one of the first casualties” of rising geopolitical tension and protectionist policies. Once governments begin to intervene, defensive measures quickly cascade across borders, he said. “It’s very hard to turn back.”

For much of the past three decades, public food reserves were in retreat in most of the world. Open trade, diversified supply chains and sophisticated logistics made national stockpiles appear unnecessary in advanced economies. Europe dismantled intervention buying under the Common Agricultural Policy. Nordic countries ran down cold war grain stores. Even food-insecure states relied on global markets. That confidence has eroded sharply since 2020, when Covid-19 exposed the fragility of just-in-time supply chains. Russia’s invasion of Ukraine two years later disrupted one of the world’s most important grain exporters. Climate shocks — droughts, floods and heatwaves — have become more frequent and harder to predict. At the same time, trade has become a geopolitical tool rather than a neutral conduit, culminating in the aggressive tariff escalation last year under Donald Trump’s second presidency. “There were rules and regulations put in place, particularly in the 1990s through the WTO . . . It was never perfect, but it created the idea that if we had localised food stresses, we could always go to global markets,” says Neumann. “That trust has faded because of geopolitical fragmentation.” For many governments, the conclu-



States are holding back increasing quantities of staples such as wheat and rice as well as things like seeds and fertiliser, reviving practices phased out after the cold war
FT montage/Getty Images

sion is simple: markets may still work most of the time, but in extreme scenarios they cannot be trusted to deliver food when it is most needed. Nowhere is the shift clearer than in northern Europe. Norway, one of the world’s richest and most trade-dependent economies, has begun rebuilding emergency grain reserves for the first time since the end of the cold war. Across 2024 and 2025, the government contracted private operators to hold roughly 30,000 tonnes of wheat. Officials have framed the move as a response to pandemic disruption, heightened geopolitical risk and climate uncertainty, stressing that the reserves are intended for preparedness rather than market intervention. Sweden has gone further. In its 2026 budget, published at the end of last year, Stockholm set aside SKr575mn (\$63mn) to re-establish emergency food stockpiles as part of its “total defence” strategy. “It’s one of the biggest investments actually we’ve made since 1950,” says Saranda Daka, who leads the project on establishing stockpiles at the Swedish Board of Agriculture. Sweden’s decision marks a sharp reversal of policy. After joining the European Union in 1995, the country began dismantling its cold war stockpiling system, which was fully wound down by 2001, according to Daka. “This idea was created that we will never have war again in Europe,” she says. “So the whole Swedish defence started to decrease. Now we’re rebuilding again.” From 2021, the Swedish Board of Agriculture started receiving formal food-security assessments from the government, triggering internal reviews of vulnerabilities in the food system. But the decisive shift came after Russia’s full-scale invasion of Ukraine in February 2022 — and Sweden’s subsequent

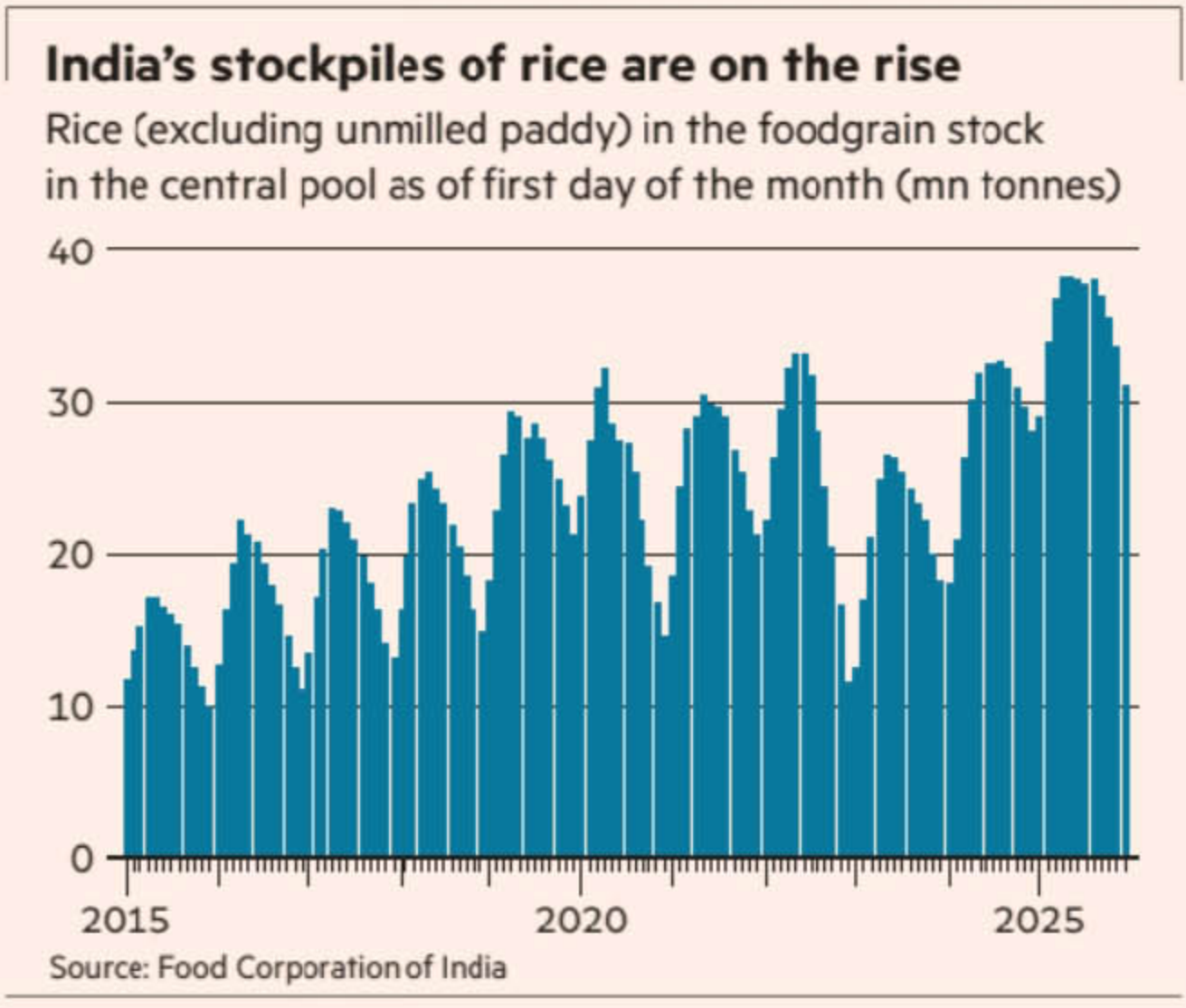
decision to apply for Nato membership, which it formally joined in spring 2024. Sweden plans to stockpile not only grain but also seeds and fertiliser, while integrating private companies to manage and rotate reserves so that quality is maintained and markets are not distorted. The plans are being rolled out first in the north of the country. Food production and processing are heavily concentrated in southern Sweden, but the north is also seen as critical in the event of a war between Nato and Russia. “In a case of a war between Russia and the west, we anticipate that the war will be going on through the border with Russia, making Finland and the Baltic countries the main battlefield,” Daka says. This state insurance is a guarantee to Swedish citizens but also “a message to Russia”, she adds. While Sweden is gearing up to stockpile enough for 3,000 calories a day for each of the country’s 10.6mn citizens for a year, Finnish officials have moved to increase emergency grain holdings from six months’ worth to nine and to update legislation governing the country’s security-of-supply system, arguing that preparedness must be strengthened in a more volatile world. Germany’s agriculture minister Alois Rainer said in August last year that Berlin was reviewing its emergency food reserves to include more ready-to-eat items such as canned ravioli. Germany already spends €25mn a year on a 100,000-tonne food stockpile. The erosion of trust in markets is not only geopolitical. Climate change has become a more immediate driver of defensive policy, not because food is unavailable globally, but because governments doubt they will be able to access it when weather shocks hit. Climate-driven volatility is now one of the fastest-growing triggers of state intervention, according to the World Bank’s April 2025 review of strategic grain reserves, particularly where extreme weather coincides with political risk. Droughts, floods and heatwaves are hitting multiple breadbaskets in quick succession, compressing recovery time and raising the risk that temporary shortages turn into sustained stress. In Egypt, for example, a series of heatwaves and irregular rainfall has repeatedly cut domestic wheat yields over the past decade, increasing dependence on imports just as global markets have become more volatile. Cairo has expanded state storage capacity to roughly 6mn tonnes and maintained reserves covering more than six months of consumption, explicitly to buffer against climate-

related supply shocks and price spikes. Similarly after floods damaged rice crops in 2024 and again in early 2025, the Bangladeshi government convened a task force that recommended expanding emergency reserves beyond food grains to include fertiliser, diesel and edible oil. The 2025-26 budget increased funding for strategic reserves, despite stable global availability. The World Bank report noted that governments acted pre-emptively “not because food was unavailable globally, but because climate uncertainty made future access feel unreliable”, concluding that climate change is intensifying the impulse to internalise risk even in countries deeply integrated into global markets. Elsewhere, and especially in Asia, stockpiling has become an instrument of economic and political management, with consequences that extend well beyond national borders. India, the world’s largest rice exporter, is holding some of the biggest

‘We were the only ones who stuck with these stockpiles, because you never know what is going to happen’

public grain stocks in its history. By December 2025, government rice reserves stood at nearly 58mn tonnes, about 12 per cent higher than a year earlier, while wheat stocks were also well above official buffer norms. The grain is procured and managed by the Food Corporation of India as part of a system designed to stabilise prices and supply subsidised food to hundreds of millions of people. When domestic prices rise, the state releases grain. When global markets tighten, it restricts exports. The annual cost of this is around \$2bn, estimates Dr Alisher Mirzabaev of the International Rice Research Institute. “When you are holding these big stocks, it’s not only procurement, also it’s handling, it’s stocking, it’s everything. So it’s quite a big cost,” he says. “But on the other hand, we are also talking about food security . . . [the government] is striking the balance between fiscal costs on one hand, but also making sure there is enough food security in the country.” Indonesia has taken a parallel path. Through state logistics agency Bulog, Jakarta has sharply increased government rice reserves since late 2024, using

public procurement and market intervention to stabilise prices. By September 2025, Bulog’s stocks were close to 4mn tonnes, almost double the level a year earlier. Officials present the build-up as necessary to curb inflation and protect consumers. But Adrian Gasparian of trading house Pisces et Granum argues the policy has less to do with supply security than with political control. In Indonesia’s case, the state has increasingly required private buyers to purchase from government channels at administered prices. That, Gasparian says, raises baseline costs without insulating the country from global volatility. “Markets are efficient,” he says. “When governments try to get in the way, it creates higher prices for inputs.” China’s stockpiling is larger still, and far less transparent. According to official budget documents, Beijing increased its 2025 budget for stockpiling grain, edible oils and other agricultural commodities by about 6.1 per cent from a year earlier, to roughly 132bn yuan (\$18bn). The increase came alongside repeated official emphasis on grain self-sufficiency and what authorities describe as the “absolute security” of supply, as China seeks to insulate itself from external shocks amid rising geopolitical tensions. Officials say rice and wheat reserves are sufficient to meet domestic needs for more than a year. Taken together, such policies absorb a growing share of global grain production into public stocks rather than allowing it to circulate freely through markets. Economists do not dispute that governments face greater risks, says Joseph Glauber, a former US chief agricultural economist, but what they question is whether widespread stockpiling actually reduces them. “Holding stocks . . . it only makes sense if you were thinking that trade was just totally disrupted and too costly. But that hasn’t been the case so much,” says Glauber. “Even with the Suez Canal and Red Sea blockages and other sorts of things, exports have adjusted for the most part . . . I think even the Ukraine war showed that you could actually get wheat if you wanted.” This is why, he adds, it does not “make much sense for a large net exporter to be holding very large reserves like India has been doing.” There are also practical limits. Grain is expensive to store and difficult to maintain at scale. “What happens is the quality deteriorates, and the stocks end up going to animal feed or industrial uses,” he says. China’s experience is a warning, Glauber adds. Large corn reserves accumulated between 2008 and 2016 ultimately proved unsuitable for food use, forcing authorities to divert them into ethanol and industrial processing. Better management can mitigate that risk, economists say, but in practice, rotation and timely release are politically fraught. Despite growing challenges due to climate change, global agriculture still produces enough food, economists say. “On average, the world actually tends to produce enough food in a given year,” says Neumann. “As long as we can ensure free allocation, that wouldn’t be a problem.” However, when countries respond to disruptions and geopolitical instability by stockpiling and interfering with the free flow of food, they actually risk causing greater local shortages and instability, he says. Studies of the surges in global food prices in 2007-08 found that export bans and precautionary stockbuilding accounted for a significant share of price spikes, even when global harvests were relatively healthy. Similar dynamics emerged after Russia’s invasion of Ukraine, when a wave of restrictions magnified the impact of disrupted supply. The greatest risk, economists argue, is not any single policy but the cascade. “Once even a few economies go down the road of food protectionism, everybody feels like they have to do it as well,” Neumann says. “Everybody would be better off if we had free flow of food stuff around the world.” Ilomäki disagrees. “If you’re an economist of course you may think like this,” he counters, “but then you also have to understand that every country has the responsibility to take care of its population . . . you have to have them food and to have them fuels.”



The FT View



FINANCIAL TIMES

‘Without fear and without favour’

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Opinion Science

How to talk to someone you disagree with

Andy Carrer



Anjana Ahuja

In most situations, I tend to go for the glass half-full over the evidently identical alternative. I’m a sucker for framing, the phenomenon by which the same thing described in different ways can elicit different responses.

That famously semi-poured tumbler is an example of positive-negative framing in social psychology. Likewise, a surgical operation framed as having an 80 per cent survival rate might get more takers than one with a 20 per cent death rate – despite the outcomes being statistically identical.

Now, researchers claim that a different kind of framing matters when people discuss contentious issues: declaring what you oppose, rather than what you support, is likely to play more positively among those who disagree with you. For example, a campaigner for abortion rights can express their

Thoughtful reframing could be key to building what may seem like impossible bridges

stance in two different ways: supporting a woman’s right to choose or opposing an abortion ban. The latter sentiment is likely to be received more openly by those against abortion, according to a study published last month in the *Journal of Personality and Social Psychology*.

The findings matter in a polarised world: we should welcome fresh thinking on how to encourage civil conversations across ideological divides. Thoughtful reframing could be key to building what currently seem like impossible bridges.

Rhia Catapano, assistant professor of marketing at Toronto university, and Zakary Tormala, a behavioural scientist at Stanford University, conducted a host of experiments involving more than 10,000 participants reading or hearing statements they disagreed with on divisive issues such as gun control, abortion, taxing the wealthy and same-sex marriage. The statements differed only in whether the communicator framed their view in terms of support or opposition. Sometimes only the first sentence of a three-paragraph explanation was swapped out to switch the framing, from “I support X” to “I oppose Y”.

“We then measured how receptive people were to the message”, Catapano told me, “by assessing how receptive

they felt, but also how willing they were to engage, how they felt towards the speaker and whether the message nudged their own attitudes.” The disagreeing listeners were consistently more receptive when the position was framed in opposing terms. That, she explained, was because “oppose framing” aligned more closely to how they viewed the issue at stake. Conversely, participants who agreed with the communicator preferred support-framed messages.

For one of the experiments, the researchers recruited Reddit users to simulate the kind of discussions that abound on the online forum. When presented with statements they disagreed with, users were similarly more likely to click on and engage with oppose-framed messages. The results, Catapano added, were modest but robust across various issues.

The findings make sense to Matthew Facciani, a social scientist at Georgetown University and author of *Misguided*, which explores the interplay between personal identity and misinformation. Facciani, who was not involved in the study, explained that messages that threatened a person’s identity were an instant turn-off: “Emphasising what one supports can inadvertently highlight values the listener rejects, whereas focusing on [aspects of] shared or overlapping opposition can feel less threatening.”

The results, he added, were not a cure for polarisation but could make people more willing to listen to the other side. The key to productive dialogue is “creating the psychological conditions for openness rather than pushing for quick agreement”. In other words, it is less about winning the argument and more about turning down the heat. The study’s authors note that most social movements, like Black Lives Matter, are named for the causes they champion: while it lands well with supporters, they might get broader traction by referencing the injustices they oppose.

Since the research was only published last month, Catapano said it was too early to say whether it would percolate through to politicians and others in public life. That so many culture wars are waged online can make good-faith engagement across the trenches seem like an uphill struggle. Social media algorithms fill our feeds with material that confirms our worldview and, except for the occasional piece of rage bait, largely filters out content that challenges it. Research like this, which encourages judicious reframing, could help to course-correct.

Will it make a shred of difference in practice? Your answer probably depends on how you view that half-poured tumbler.

The writer is a science commentator

Curbing sexual deepfakes is a moral imperative

Musk has mischaracterised the dispute over indecent AI images as censorship

Elon Musk and his frequent transatlantic sparring partner – the UK – are trading blows once again. Britain’s regulator Ofcom is investigating Musk’s X over concerns that its AI tool Grok is being used to generate sexualised images of real women and children; the government is bringing into effect a law to criminalise creation of non-consensual intimate images. Musk has said the UK’s “fascist” government wants “any excuse for censorship”; a White House official added that Britain was “contemplating a Russia-style X ban”. Yet curbing child pornography or protecting privacy has nothing to do with censorship or restricting free speech.

Sir Keir Starmer’s UK government has arguably stuck its head higher above the parapet, but it is far from alone in taking

action over alarming reports this month about Grok-generated images. Malaysia and Indonesia have blocked Grok, and countries as far apart as Australia, India and Brazil have ordered probes or reviews. French authorities have broadened an existing investigation into X after ministers raised alarms. Germany’s media minister wants EU action; European Commission president Ursula von der Leyen warned X that “if they don’t act, we will”.

Along with EU and Australian legislation, Britain’s Online Safety Act is considered one of the most stringent pieces of digital regulation. If Ofcom finds X failed in its duties under the act – including to remove illegal intimate imagery and child abuse material, and to properly assess Grok’s risks – it could demand a fine of up to 10 per cent of X’s global turnover. It could also seek a court order to block UK access to X. Musk last week responded to criticisms by limiting use of Grok’s image generator to paid subscribers. Downing Street

said this insulted victims of misogyny and sexual violence and simply turned the tool into a “premium service”.

Musk says X is being unfairly targeted since other AI systems can be used to produce similar material. But online safety experts say rival products from, say, OpenAI and Google have tougher content “guardrails” than Grok – and since some Grok features have been incorporated into X, images appear publicly and can spread widely across the social network. Even where there are guardrails, though, determined users can still sometimes dodge them by using complex prompts to trick the AI, and specific “nudification” tools and apps are available.

The X owner and the Trump administration charge that the UK and the EU have curtailed free speech and political freedoms. They say Europe is using regulation on tax, competition and content to throttle America’s vibrant tech industry. Certain hate speech rules in Britain and elsewhere have indeed become

Just as some forms of behaviour are restricted because they are harmful to others, so are some forms of speech and content

excessive, or their implementation overzealous. Some European tech regulation has similarly been heavy handed; the EU is rightly scaling back parts of its 2024 AI Act.

Yet, just as some forms of behaviour are restricted because they are harmful to others, so are some forms of speech and content. Necessary controls on child sexual abuse material, for example, predated the digital revolution.

Polling also suggests rising public disquiet over AI-generated sexual deepfakes and nudified images. The danger of a mounting “techlash” is real. As the EU found, attempting to devise all-encompassing regulation when AI is still evolving risks stifling innovation. But if the public is to retain confidence in the world-changing technology then potential harms must be dealt with swiftly as they emerge. Showing they can control non-consensual sexualised imagery is a test for politicians and – since trust remains vital to Silicon Valley business models – for the tech titans, too.

Letters

UK private equity uses Luxembourg to tap EU pools of capital

The University of Glasgow research cited in your article “Private equity’s dash offshore triggers concerns over transparency of funds” (Report, January 12) completely misses the point. First, Luxembourg is not an offshore jurisdiction but very much an onshore EU location, with access to the EU savings market of 450mn people, something that is no longer true for the UK post-Brexit. Second, the EU Alternative Investment Fund Manager

Directive requires that, in most member states, professional investors, including pension funds and insurance companies, invest in AIFMD-compliant funds. Clearly UK and Channel Island funds are outside the EU and hence non-compliant. PE firms naturally wish to access large pools of savings; with a UK fund they cannot approach EU investors.

To suggest that “know your customer” rules and regulatory

reporting rules in Luxembourg and the EU are less stringent than in the UK is rubbish. There is full transparency in front of EU regulators. As to the remarks of Michael Moore, the chief executive of British Private Equity & Venture Capital Association, the UK may be the second-largest private capital hub in the world for PE managers, but not for PE funds.

Unless the UK joins the single market or the European Economic Area, UK

funds will not be AIFMD-compliant. But then the EU will invoke the so-called Farage clause, giving the EU compensation if Nigel Farage, as a future UK prime minister, scraps the arrangements.

UK PE firms are just following the money and establishing AIFMD-compliant Luxembourg funds to access the EU professional pools of capital.

Nigel Williams
Chair, Roylton Partners, Luxembourg

Whitehall consultants: the model civil servants prefer

You report that spending on consultants in Whitehall is down by 14 per cent (Report, January 10). As one of those consultants until my retirement last year there are four brief points I would like to make.

First, most of the consultants work inside IR35 (the tax rules for off-payroll working) and because they are well paid, nearly 50 per cent of their fees go back to the Treasury in the form of tax and national insurance.

Second, civil servants prefer consultants (or contractors as they’re sometimes known) because the permanent recruitment route is so difficult, partly due to relatively low salaries for graduates and people of experience, and partly due to the long and bureaucratic process (applicants can wait weeks if not months for straightforward security clearances).

Third, the internal processes (I was in procurement) are stodgy and frustrating. To gain authorisation for repeat (and obviously necessary) services, a business case was required for even low-value projects that then went through several committees, the permanent secretary and the Treasury before the project could even kick-off.

Further, the so-called simplification of the European procurement rules (post-Brexit) took about two or three years to manifest and, although a bit simpler, were a missed opportunity, focusing on the words rather than the spirit of public procurement. Most projects were also slowed down by myriad internal advisers (policy, assurance, legal and so on). My point is if the internal processes were more streamlined they would need fewer people, never mind fewer consultants.

Fourth, procurement projects were often kicked off with a heavy heart as – especially in IT projects – teams on the front line were happy with their provider and the prospect of changing if it lost a tender was daunting. There was also concern that procurement teams would apply the points-scoring process so rigidly that they would appoint a firm known to be poor at delivery but brilliant at submitting tenders. Think of changing your domestic internet provider for a saving of £10 a month and then multiply the drama by 10,000. IT contracts are also too short and firms will sometimes “cost in” the risk of losing the contract in five years’ time. Equally, others will often underbid simply to secure the points available on price.

My experience of the civil service was of highly capable and intelligent people sidetracked by process and red tape, and a fear of taking risks. It is right and proper that public procurement should be open, fair and transparent but it seems these worthy things have somehow become conflated with rigidity and inflexible adherence to process.

Tom McAra
London SE1, UK



The chicken metaphor that keeps on giving

I would like to suggest a corollary to Alberto Chies bon mot in his letter (January 10) in response to John Burn-Murdoch’s use of statistical averages in his article “Why Americans feel poorer even though they’re not” (Data Points, FT Weekend, December 6).

To recap, Chies quoted the Italian poet Carlo Salustri as saying: “If I eat two chickens a day and you eat none, statistics report we each consume one chicken a day.”

My corollary, fit for our “affordability crisis” age, would be: “If in year one we both eat one chicken a day, statistics report we each consume one chicken a day.

If, however, in year two I eat three chickens and you eat none, statistics report: we each consume one and a half chickens a day – an improvement of 50 per cent.”

This I contend better represents the reality of our increasingly unequal society.

Mano Manoharan
London N10, UK

You can’t blame Enel for high Italian energy prices

The article published by Financial Times “Meloni’s make-or-break year” (The Big Read, January 8) suggests a connection between the profits of Italian energy “giant” Enel and the price of energy in Italy. We would like to clarify that, as reported in the 2024 annual report, Enel’s profits from 2023 to 2024 did not increase due to rising energy costs in Italy, which instead decreased, but rather thanks to international operations, efficiencies and reduced interest rates due to lower debt.

Furthermore, Enel is no longer the incumbent in Italy, as its share in Italy’s generation is equal to approximately 10 per cent of demand and cannot in any way influence wholesale energy prices.

Francesco Spini
Company Spokesperson, Enel, Rome, Italy

Why the Saudis will be keenly watching Venezuela

The front page report on the Trump administration’s outreach to oil groups over Venezuela’s vast reserves (January 9) rightly notes US executives’ concern about political and legal risks, coupled with low oil prices, as obstacles to investment. But the potential development of Venezuelan oil infrastructure and the introduction of additional supply into global markets should worry Opec members, especially Saudi Arabia.

The combined oil reserves of Guyana, where large US companies dominate the industry, Venezuela and American producers could give the US sway over about 30 per cent of the global total, giving it outsized influence over pricing and flows. This might help anchor oil prices at historically lower ranges while enhancing US energy security and potentially meeting domestic demand driven by the power-hungry AI data centres.

The January 4 decision by Opec to pause any output increases for the first quarter reflects deep ambivalence amid already high inventory and oversupply fears. Persistently low prices, with Brent around \$63 a barrel, are straining the fiscal positions of many producers.

Saudi Arabia can produce crude at remarkably low cost, but its fiscal break-even level requires prices above \$100 per barrel.

Under such conditions, the emergence of Venezuelan oil into markets directed by Washington could complicate Riyadh’s balancing act between market share and price support.

Afnan Wasif
MA in International Relations Candidate, Johns Hopkins SAIS, Bologna, Italy

Winging it in Ohio

Mike Barry’s article on Europe’s banning of plant-based products with meaty names (“Brussels’ misguided beef with veggie burgers”, Opinion, January 6) brought back memories of the Ohio Supreme Court’s ruling on boneless chicken.

In July 2024 the court ruled consumers cannot expect boneless chickens to actually be free of bones. A dissenting judge wrote: “The question must be asked: does anyone really believe that the parents in this country who feed their young children boneless wings or chicken tenders or chicken nuggets or chicken fingers expect bones to be in the chicken? Of course they don’t, when they read the word ‘boneless’; they think that it means ‘without bones’, as do all sensible people.”

So if you are a sensible person and ever travel to Ohio, please remember, when ordering boneless chicken wings, you are really getting chicken wings with bones (and maybe some sauces).

Jan Kinner
Kettering, OH, US

Scotland’s space economy must be carefully nurtured

Your report on Glasgow’s satellite cluster (“Glasgow reaches for the stars in space hub push”, Report, January 12) captures something rare in industrial policy: a genuinely integrated success.

Scotland’s space economy works because universities, manufacturers, launch providers and data businesses have grown together, reinforcing one another rather than competing for attention or funding.

That coherence is its real strategic asset. It has allowed relatively modest public investment to generate outsized capability across manufacturing, analytics and services, with clear relevance to both commercial markets and national security.

Few regions manage that transition from hardware to data so effectively, or with such institutional depth. But the caution is implicit in your piece. This is a model that can easily be weakened if policy fragments support, favours isolated champions, or treats research, launch and downstream services as separable silos.

In a European environment now defined by scale and state backing, the UK’s advantage lies not in matching spending line by line, but in preserving and strengthening this integrated system.

The lesson from Glasgow is simple: it works. The priority now should be not to break it.

John W Mullins
Associate Professor of Management Practice, Marketing and Entrepreneurship, London Business School, London NW1

Letters are an archive that can be mined later

Your timely editorial lamenting the end of physical letters in Denmark and the potential for the worldwide spread of this trend brings two thoughts to mind (The FT View, December 13).

First, if there are no physical letters how can I send FT cuttings to those persons who do not have the opportunity to get to read your paper? In fact, a physical copy of this very editorial is already on its way to a friend who loves writing letters. Scanning and then emailing is so lame in comparison.

Second, as your editorial attests, letters often serve as a kind of archive that can be mined later. In his memoir, *Disturbing the Universe*, Freeman Dyson says that much of the material about his early life in the US was culled from letters he wrote home to his mother.

In a sense, these letters are like a diary. They are, to quote you, “without the distortions of hindsight” and, at the same time, not so inundated with real-time trivia such as emailed photographs of one’s restaurant order with no other accompanying information about the dish.

Surendar Jayadev
Rochester, NY, US

Opinion

How to de-risk from the US

GEOPOLITICS

Edward Luce



The world until recently believed that US-China decoupling was on the way. It turns out that most countries are now scrambling to de-risk from America. As Jay Powell, Federal Reserve chair, or Denmark, one of America's most loyal allies, can attest, pacifying Donald Trump only gets you so far. It buys time but is no substitute for having protection against a rogue superpower. We are thus in the early stages of an accelerating process of US de-risking.

Social distancing from the world's

hegemon is a painful business, especially if you are an ally. Yet America's friends are those most urgently in need of it. Their place in the sun rested on the world America made. The jolt to European and Asian allies is thus correspondingly greater. But America's repudiation of the "liberal international order" is also a shock — although in many ways a pleasant one — to China, its chief adversary. China is now auditioning to be the main provider of global public goods, including stability.

As world leaders converge on Davos, most of the chatter is about coping with Trump, who is bringing half his cabinet. A quieter China will be there to pick up the pieces. In that respect, today is zero sum. A loss to America is a gain for China. Countries in America's hemisphere, including Canada, are moving closer to Beijing. Mark Carney, Canada's prime minister, is stopping in China before heading to Davos. As goes

Carney's itinerary, so goes global diplomacy.

Countries are de-risking in two main areas. The first is economic. Carney is again out front. Almost three-quarters of Canada's exports go to the US, a number they aim to reduce to below 50 per cent. A lot will divert to China and India. Europe's conclusion last week of a

Social distancing from the world's hegemon is a painful business, especially if you are an ally

free trade deal with Mercosur (Argentina, Brazil, Uruguay and Paraguay), and the UK's deal last year with India are Trump's co-creations. Britain's debate about putting Brexit behind it and moving closer to the EU also comes partly

courtesy of Trump. He is spurring all kinds of third-party conversations that were not happening a year ago. Europe wants partnership with the Trans-Pacific group. That China is not a member, but wants to join, while the US pulled out in Trump's first term, says it all.

It is far harder to diversify from the US dollar. But Trump's now open assault on Fed independence — including launching a criminal probe into its chair — is pushing that case too. Regardless of whether Powell stands trial (and, less likely still, is convicted), investors can expect an era of rising US inflation and a falling dollar. Whichever "Kevin" replaces Powell will be Trump's patsy. America's era of easy money will probably outlive the AI boom.

The price of gold — history's best hedge against war and pestilence — has risen by over 70 per cent since Trump took office last year. Gold is also taking up a growing share of global central

bank reserves at the expense of the dollar. So far none of America's investors have threatened a buying strike on US Treasury bonds. Trump appears to overlook that the markets are at least as important as the Fed in setting borrowing costs. Big foreign withdrawals could quickly wipe out the easy money gains of short-term interest rate cuts.

Dumping Treasuries is the financial version of the nuclear option. The actual nuclear option also looms in geostrategic hedging. It has not escaped the notice of America's adversaries that Trump speaks nicely about nuclear North Korea. Were Venezuela a nuclear state, Nicolás Maduro would not now be sitting in a Brooklyn jail.

South Korea, Germany, Australia, Poland and even Canada are all debating to one degree or another whether to go nuclear. Were Trump to annex Greenland, Canada would weigh it seriously. The disabling of Nato would trigger a

broader rest-of-the-west hunt for new security. Denmark now sees the upside of some kind of European nuclear umbrella.

There is no historic precedent of a dominant power voluntarily abandoning its leadership, as opposed to being defeated in war or by natural decline. Complying with a revisionist titan's increasingly random demands imposes an opportunity cost on building alternative systems. America's allies are now at that hinge point between the past and the future. Trump is making their choice easier.

Raising the price of US protection is one thing — and a reasonable one. But no sane customer would pay more for a product they are not sure will be delivered. Contrary to the mafia analogies, Trump is offering America's partners a deal they cannot accept.

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The Maga war on European democracy

Martin Wolf Economics

America's national security strategy is a projection of the administration's hatred of the way the country has changed



The US national security strategy published in December singles out the failings of its European allies. Its text is brutal.

It claims that Europe's "economic decline is eclipsed by the real and more stark prospect of civilizational erasure. The larger issues facing Europe include activities of the European Union and other transnational bodies that undermine political liberty and sovereignty, migration policies that are transforming the continent and creating strife, censorship of free speech and suppression of political opposition, cratering birth rates, and loss of national identities and self-confidence." It also says that the US "will oppose elite-driven, anti-democratic restrictions on core liberties in Europe, the Anglosphere, and the rest of the democratic world, especially among our allies".

In sum: "Our goal should be to help Europe correct its current trajectory."

The main way in which the US intends to do so is to help "patriotic European parties". No leader of such a party is more admired by Maga than Hungary's Viktor Orbán. So, how has he done in promoting freedom of expression and liberal democracy, more broadly?

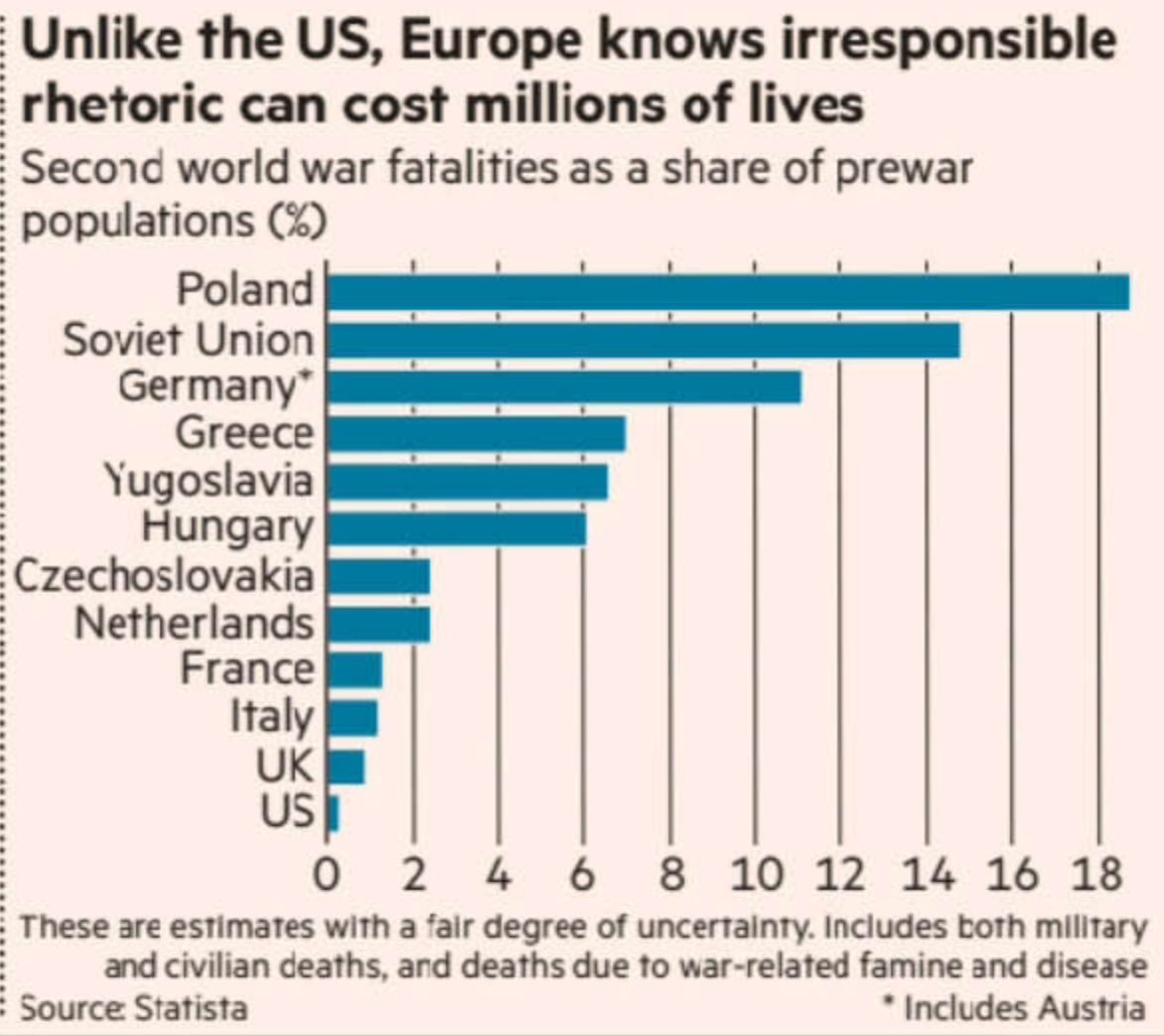
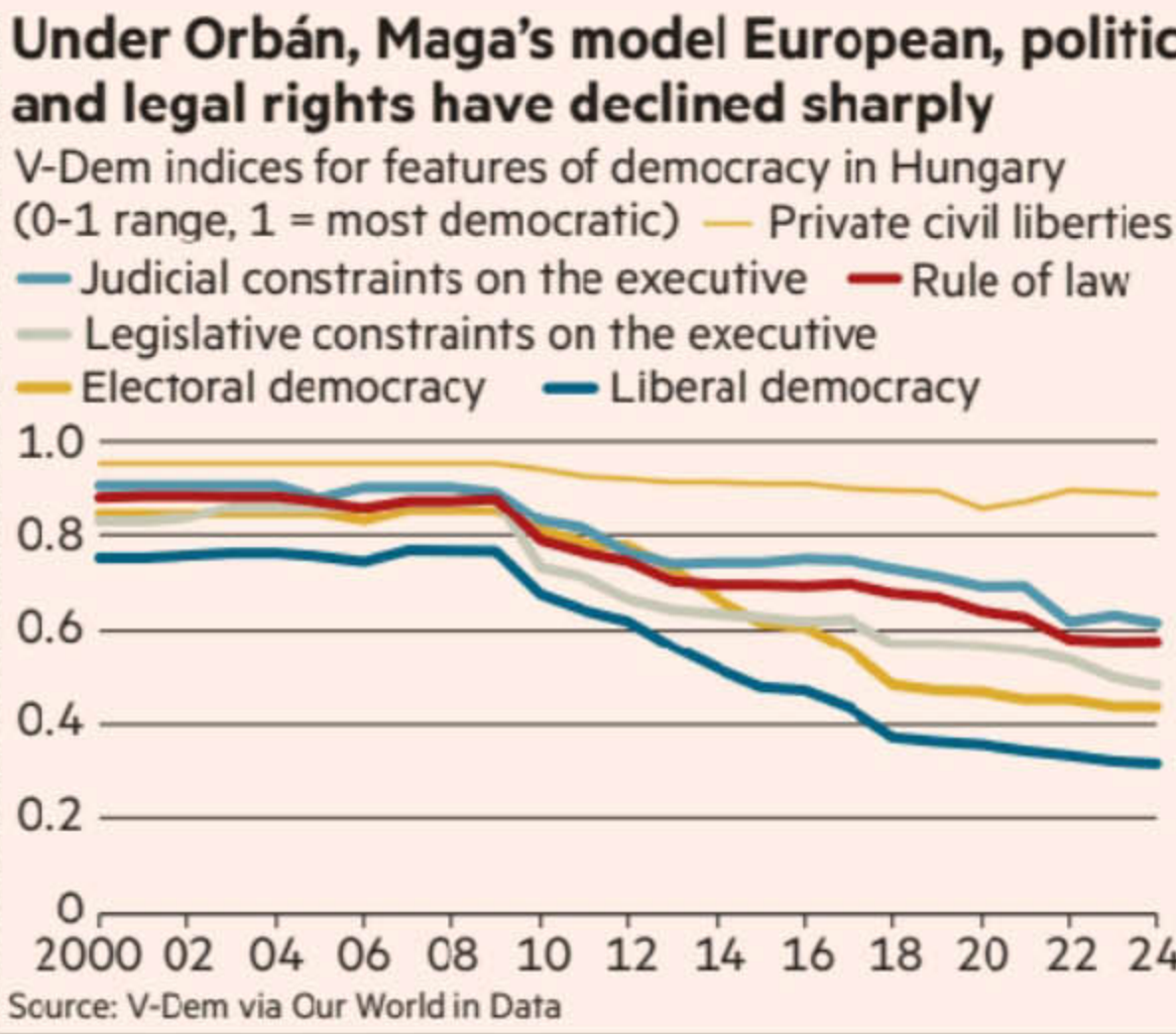
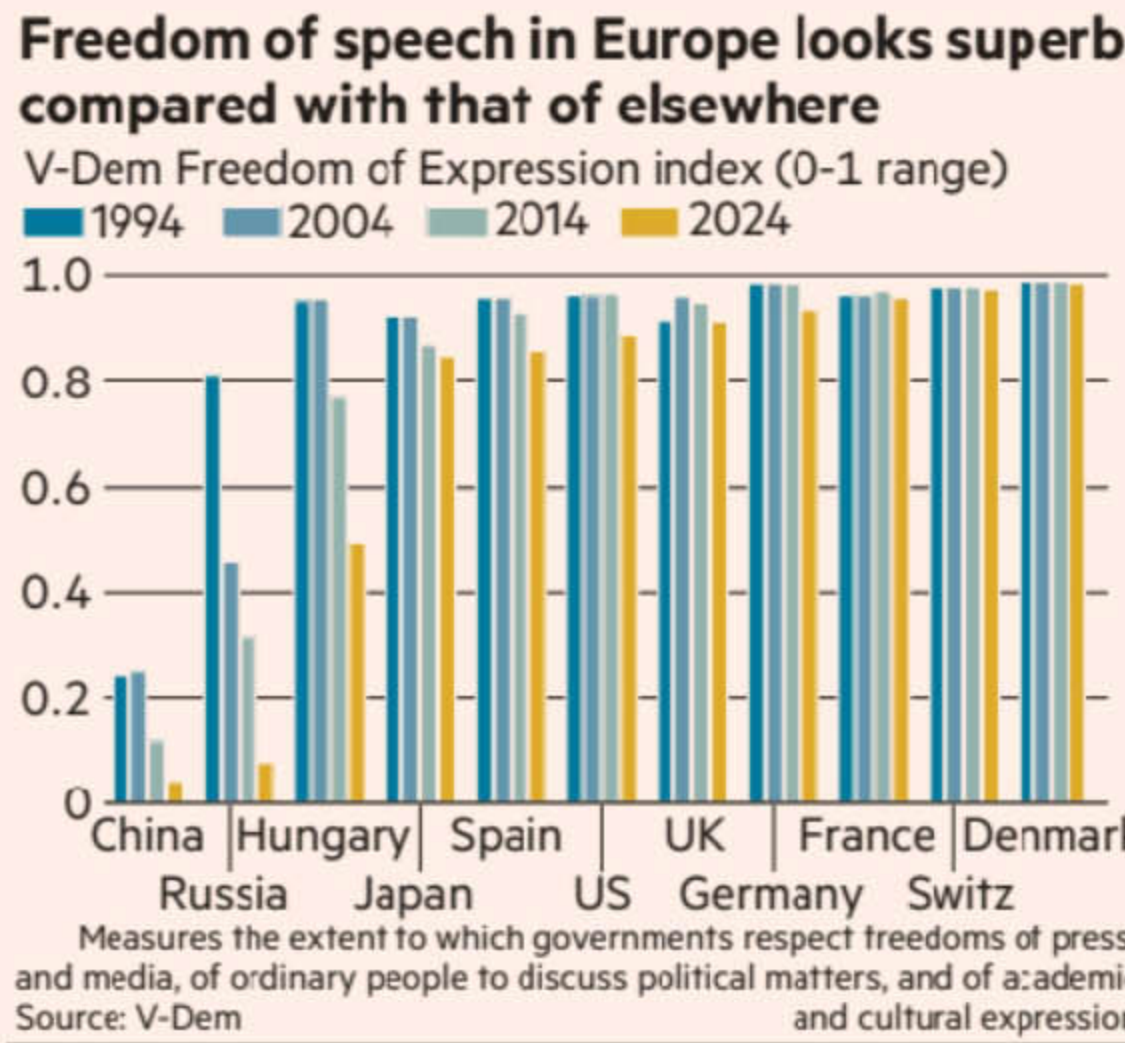
According to the respected Varieties of Democracy (V-Dem) database, the answer is very poorly: the country's index of "liberal democracy overall" fell from 0.77 (out of 1) in 2009 to 0.32 in 2024. Maga's beloved Hungary is a corrupt and authoritarian state. But it is

nothing like as bad as Russia, whose leader, Vladimir Putin, is among Donald Trump's heroes. That is hardly surprising. A man who tried to overthrow an election cannot be convincingly concerned about democracy. (See charts.)

Then consider freedom of speech more narrowly. Again, according to V-Dem, many European countries, including the UK, France and Germany, protect freedom of speech and what it calls "alternative sources of information" better than the US. That was in 2024. Does anybody imagine this will have improved in 2025, not least given the administration's assaults on universities and the media?

This is not to say that all is well in Europe. There exists a host of potent concerns, including the state of free speech even in the UK, though Nigel Farage's comparisons with North Korea are grotesque. Yet anxieties about those "patriotic" parties are also reasonable. Europe, after all, has a history. This tells us with brutal clarity that "patriotic" parties, and indeed nationalism more broadly, can all too easily be roads to ruin. The two world wars taught us that. Thus, by failing to throttle Adolf Hitler's "right" to free speech, Germany ended up losing 5.5mn soldiers and between 1.1mn and 3mn civilians in the second world war. Worldwide, the losses were 75mn in the two world wars.

Hitler was also one of those "patriots" terrified by what the NSS calls "civilisational crasure". In May 2025, Germany's Alternative for Germany (AfD) was des-



igned "rightwing extremist" by the country's federal office for the protection of the constitution. No doubt, it is not a Nazi party. But it does have neo-Nazi within it. Should Germans who know their history just smile and say, "Why not? Freedom of speech is after all sacred." It takes cocksure Americans to spout such idiocy. Alas, similar back-grounds and ideas can be seen in other rising European rightwing parties.

Equally foolish is the assault on the EU. Here, too, there are many confu-

Two world wars taught us that 'patriotic' parties, and nationalism more broadly, can be roads to ruin

sions. Nation states are not natural political features of Europe. They were created many of them quite recently (just as the US was created). What is more, they were also created largely through bloodshed. Thereupon those imagined identities led to more disasters.

The EU was created in order to manage and, ideally, eliminate any chance of a repetition. The idea was that co-operation and open markets would be better than war. This, the NSS tells us, is folly.

Yet there is another powerful reason for preserving the EU. As Paul-Henri Spaak, one of the EU's founding fathers, said: "There are only two types of country in Europe: small countries . . . and countries which are small, but don't yet know that they are." In a world dominated by superpowers and a continent threatened by a nuclear-armed Russia,

it is a case of unify or become a victim. There is no doubt which Trump wants. But why should Europeans do so, too?

This brings us to the fear of imminent "civilizational erasure". It is rooted in an identity politics more extreme than that of the left. The identities in question are national, racial and chauvinist. It is linked to the fear of a "Great Replacement", which many in Maga embrace. To be "erased" then is to become less "white", less "Christian" and less numerous. Vice-president JD Vance, though the husband of an Indian woman, seems to share this vision in an intellectualised version. It is also, alas, where the future of the Republican Party might lie.

If so, what the NSS says is a projection upon Europe of what animates the administration itself — a burning hatred of the way the US has been changing,

demographically and culturally.

I do agree that states must exercise control over their borders: their values may be universal, but citizenship cannot be open to everybody in the world. Yet liberal democracies can be beacons. What has emerged painfully (and often hypocritically) over many centuries is indeed a great civilisation. It is based on ideals of individual freedom, equal rights of citizens, rule of law, the pursuit of knowledge and fairly elected government. None of this is rooted in race or religion. But every citizen of a liberal democracy must accept those values.

In brief, this administration wishes to erase the republic itself, in its 250th year. That is why Europe is its enemy. It is also why Europe must defend itself.

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Vali Nasr

Iran's Islamic republic is now battling for its survival. Days of convulsive protests have engulfed the country. And what started as a popular uprising is entering a new phase, which could morph into war. President Donald Trump has repeatedly threatened that the US would intervene militarily to aid the protesters if Iran's security forces used deadly force against them. Iran crossed that line four days ago; the death toll is rising rapidly — and Trump is reportedly weighing his options. "The leaders of Iran called yesterday . . . they want to negotiate . . . but we may have to act before that meeting," he told reporters on Sunday.

Trump could order an attack to punish Iran or to prevent it from suppressing protests. It could even try to eliminate the Supreme Leader, Ayatollah Ali Khamenei, hoping Washington could then dictate terms to what remains of the regime. However, military strikes alone will not bring about regime change. The protests are angry, leaderless and disorganised. There is no viable figure or political movement to marshal them and take over from the Islamic republic. The US seemingly has no plan, and if Venezuela is any guide, no appetite for dealing with the messy day after the Islamic republic.

But America is pursuing another non-military campaign that could break Iran. Trump's announcement on Tuesday that he is imposing 25 per cent tariffs "effective immediately" on any nation that does business with Iran is perhaps more worrisome to Tehran than military strikes. The announce-

ment is likely to encourage capital flight, putting further downward pressure on the rial.

It was the dramatic depreciation of the rial in 2025 that sparked the recent protests; the currency lost 84 per cent of its value last year, 16 per cent in December alone. The prospect of higher tariffs could dissuade Iran's main trading partners — China, India, Iraq, Turkey and the UAE — from doing business with Tehran. The ensuing economic hardship is likely to fuel more protests that Washington can then support through intervention or further military threats.

US air attacks are far from a precise scalpel guaranteeing the desired outcome

What Tehran fears is a repetition of what happened during the Arab Spring. In Libya and Syria, peaceful protests quickly evolved into armed confrontation, then civil war and, eventually, total collapse. Over the past few days, Iran's rulers have tried to distinguish between protesters and "rioters" and "armed terrorists" who they claim are supported by Israel and the US. Trump's sabre-rattling is proof to them that the protests are part of a broader US strategy.

To foil America's plans, Tehran believes it must quickly crush the protests and then bring its own supporters into the streets to show regime change is not imminent. This hinges on whether the Islamic republic or the protesters have greater staying power. The government, having brought its own crowds into the cities, claims that, for now, it has the upper hand.

Whatever happens in the coming days, the Islamic republic is looking at a

bleak future. The threat of war with Israel and the US will continue to loom, the economic situation will deteriorate further as Trump tightens the noose, perhaps interdicting tankers ferrying Iranian oil. More protests could follow a possible US military intervention. Iran would then be looking at a fate similar to Saddam Hussein's Iraq between the two Gulf wars. The end there came when America invaded a weakened Iraq.

To escape this, Iran's rulers can either fight or change course. Those advocating war, especially within the ranks of the Revolutionary Guards, argue that the US thinks Iran is weak and there is no cost to attacking it. It is only by forcefully responding to a US attack or even pre-emptively attacking the US or Israel, they say, that Iran can deter the Trump administration. Until now this has been the minority view and Khamenei has kept it at bay. However, if a US strike were to eliminate him

and the regime faced collapse, the pro-war faction could determine the next steps.

Alternatively, the country could take a different path. Since June when Iran faced war with Israel and the US, calls for change within elite leadership circles have grown louder. Khamenei has not countenanced change, and hence removing him from the scene may well be the aim of US military action. Then, sustained pressure could fracture the regime, empowering those favouring reform. This is a risky bet, and US air strikes are far from a precise scalpel guaranteeing the desired outcome.

Iran may bet on escalation rather than submission. That could force President Trump into the kind of war he has thus far eschewed.

The writer is a professor at Johns Hopkins University and author of 'Iran's Grand Strategy: A Political History'

Musk’s \$1tn mega-bonus meme adopted by Gamestop

For shock value alone, the \$1tn bonus that Tesla awarded to Elon Musk last year is hard to beat. But new and disruptive ideas spread at lightning speed.

Now video game retailer Gamestop, the original “meme stock”, has added its own riff on the theme, with a proposed plan for chief Ryan Cohen that is in some ways even more generous than Musk’s.

Gamestop’s board plans to award Cohen stock options that could be worth \$24bn if he manages to hit a succession of escalating targets reminiscent of Musk’s multi-tranche bonus.

To get the full prize, he must increase Gamestop’s market capitalisation from the current \$9.5bn to \$100bn by 2036 and generate a cumulative \$20bn of ebitda in the intervening years.

Short of a \$20bn valuation with \$2bn of profit he gets nothing.

Cohen starts with a weaker hand than Musk. Gamestop is not Tesla, and its grand strategy is unclear, beyond a pivot from games to trading cards.

Cash and bitcoin made up about 80 per cent of its assets at the end of October. Its sales shrank 5 per cent in its latest quarter, and its ebitda over the past four quarters was about \$200mn.

But in some respects, the Gamestop boss is getting a better deal. His jackpot is, for starters, bigger relative to the size of the company.

Musk stands to get 12 per cent of Tesla, Cohen roughly 28 per cent of Gamestop.

Musk must hold earned shares for



Gamestop’s stock options for its chief may be worth \$24bn — David Paul Morris/Bloomberg

five years; Cohen for two. Most importantly, unlike Musk, who must produce a certain number of robots and self-driving taxis, among other tasks, Cohen’s bonus does not carry specific operational demands.

Both packages share the virtue of being contingent on shareholders doing

The idea that leaders discount the value of future awards very aggressively creates a problem

very well indeed. So while the size of the potential prizes may cause discomfort, and in Musk’s case there’s the philosophical question of whether any human deserves \$1tn, the headline numbers are aspirational rather than real.

What’s more, they are probably less valuable to the receivers than they seem to the shareholders who must approve such plans.

Investors naturally discount future cash flows at a rate reflecting the cost

of having to wait for the money to arrive. But a study by PwC in 2024 found that executives, whether they know it or not, work to a much higher rate: typically 18 per cent a year, perhaps twice the rate that a regular shareholder might.

And that’s even before adjusting for the slim odds of hitting the targets in the first place.

Perhaps self-confident bosses believe the returns they could get for applying their time elsewhere are multiple those available to mere mortals. But the idea that leaders discount the value of future awards very aggressively creates a problem.

That’s because boards increasingly try to structure bonuses that take longer for recipients to cash in, and come with more taxing performance hurdles. That isn’t wrong, exactly.

Large rewards should be hard to achieve. But it means companies will have to offer ever greater theoretical sums to keep the executives keen.

Expect the Elon Musk bonus meme to pop up in more conventional boardrooms, too.

JPMorgan’s performance owes much to the US Fed not being politicised

JPMorgan’s 2025 ended with somewhat less than a bang. The world’s most valuable bank posted a 7 per cent year-on-year fourth-quarter earnings fall and expects costs to rise this year.

But everything is relative. Short-term performance matters much less than the long-term potential damage from reckless political meddling.

Despite the headlines, JPMorgan is still growing in most of the places shareholders would like. Net interest income, the difference between what it earns in interest and pays to its own funders, increased 7 per cent year on year, and forecasts for interest in 2026 beat expectations. Trading revenues hit \$3.2bn, rounding out a record year.

Slip-ups barely blotted the copybook of a bank whose shares have doubled in two years. Dealmaking fees may have fallen 5 per cent, for example, but capital markets are booming overall.

Investment banking revenue for 2025 was almost one-third bigger than 2019, before the gyrations of Covid.

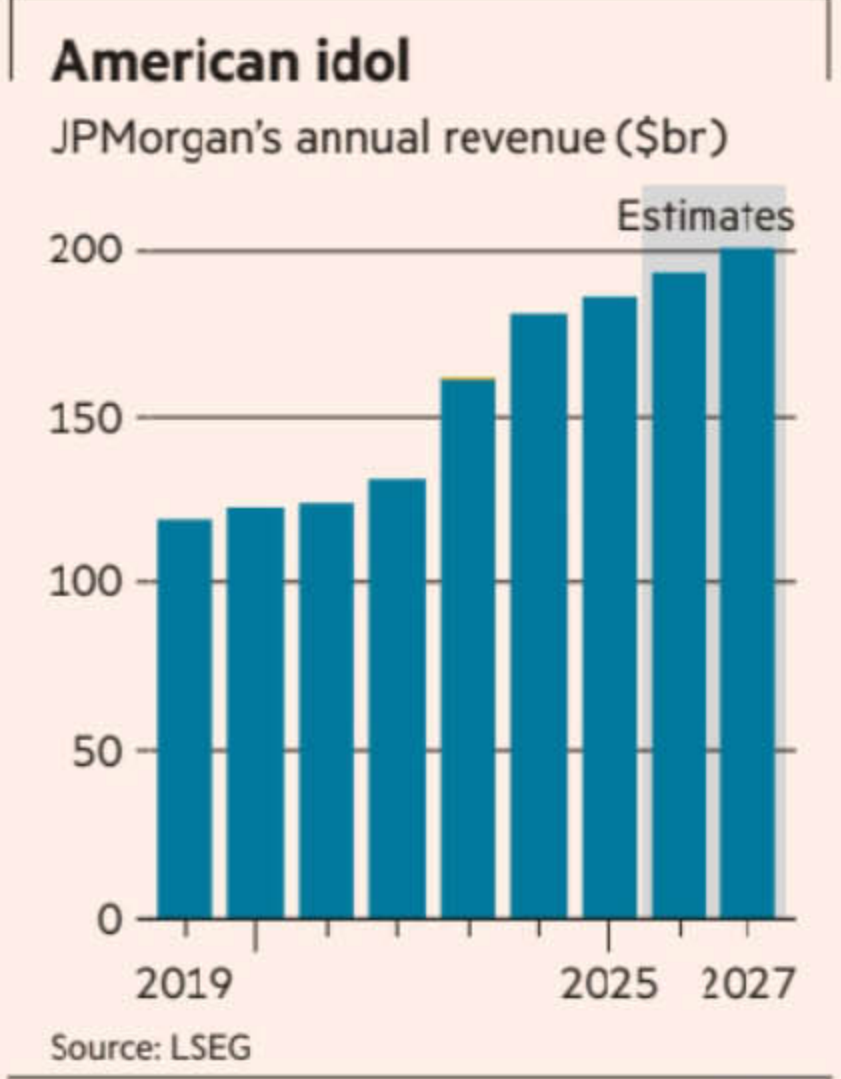
Jamie Dimon deserves credit for this but running JPMorgan is a team effort, and one that takes place in no small way in Washington. President Donald Trump has helped by cutting taxes and giving the White House a more capitalist-friendly face. But so too has the Federal Reserve, which has reduced inflation without crashing the economy. Dimon says JPMorgan wins when America does. Arguably, America wins when the Fed does.

That makes Trump’s assault on Fed chair Jay Powell troubling. Dimon said yesterday that anything that “chips away” at the independence of the central bank could raise inflationary expectations. And inflation, if the Fed fails to curb it effectively, threatens the prosperity of JPMorgan’s customers, not to mention their creditworthiness.

As well as setting rates, the Fed sits at the centre of a regulatory framework that has made big banks a haven.

Banks rail at enforced conservatism, but there it has its perks: JPMorgan yesterday detailed its exposure to so-called shadow lenders and it amounted to just 3 per cent of its total assets.

Dimon and his peers have locked horns with the Fed more than once,



accusing it of “capricious and arbitrary” rulemaking.

And they fall too easily into the claim that curbing their instincts will harm the economy by depriving “working families” of credit services.

But they have been consistent in arguing that a politicised Fed is bad news. In so far as JPMorgan owes its size and stability to a growing, well-stewarded economy – and decades of the idea that central bank independence is a big part of that – it is hard to disagree.

Ermotti’s impressive legacy at UBS leaves space for a third act

Boomerang executives are usually a sign of a company in crisis. Sergio Ermotti’s return to UBS in 2023 was a classic case, with the Swiss banker coming back to lead the integration of Credit Suisse in the biggest bank deal since the 2008 financial crisis.

As he prepares to take flight again, however, Ermotti may have set himself up for a third stint that begins on more positive terms.

Ermotti is planning to quit as chief next year. Already, however, people close to the bank whisper that Ermotti could be back again within a few years to replace Colm Kelleher as chair.

His performance bolsters the case. The integration of Credit Suisse has been surprisingly smooth, while UBS’s wealth management franchise remains the envy of European rivals. Plans to

boost profitability in the US by getting a full banking licence probably won’t pay off by the time Ermotti and Kelleher are holding job interviews but performance should improve.

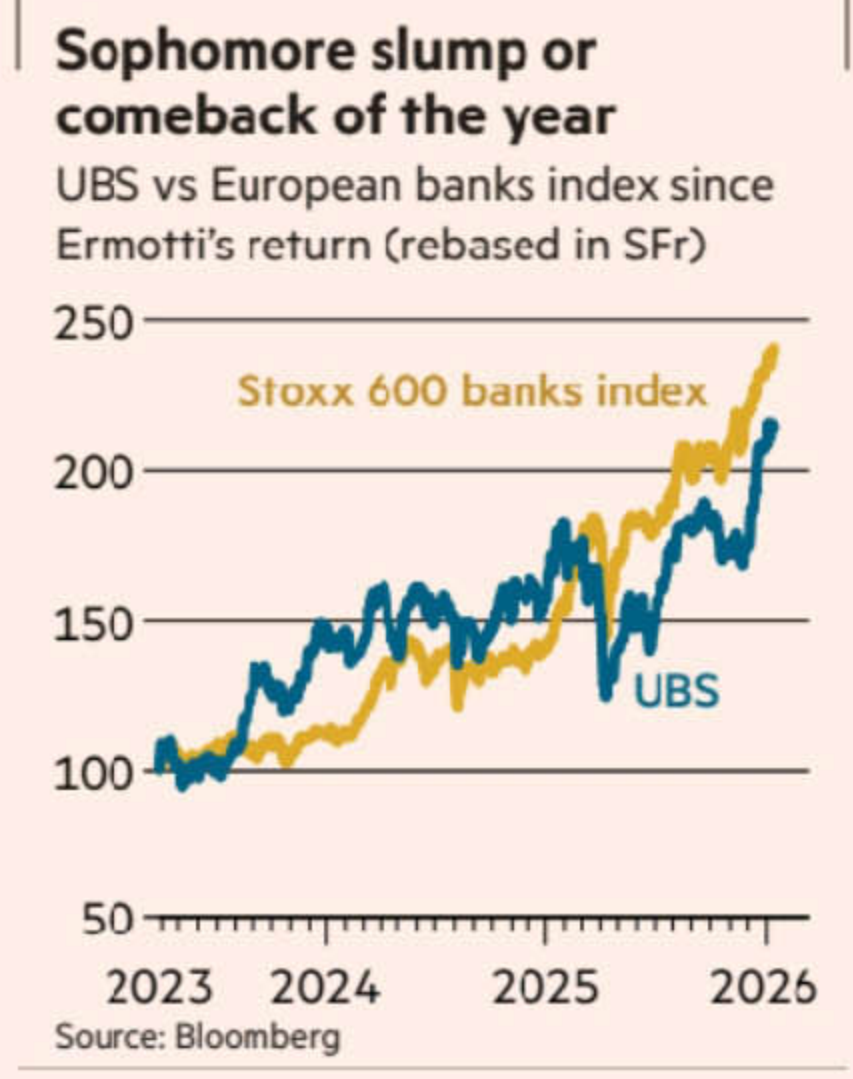
A share price increase of 114 per cent since Ermotti was announced as second-time CEO is actually an underperformance relative to an index of European bank stocks, but the weakness was largely owing to strict Swiss regulatory proposals that were outside his control. Bern wants UBS to raise tens of billions of dollars of extra capital to cut the risk of a future crisis.

The next chief will have to deal with implementing the final changes. Even a compromise solution that limits the cost to UBS will be a challenge at a time when most international rivals are benefiting from looser rules. But at least the uncertainty should be largely over, making it an execution issue rather than a diplomatic fight.

Meanwhile the strong state of UBS’s underlying businesses will give it more freedom to pursue the sort of exciting plans that were off the table before, such as trying to speed up US growth with a big acquisition. That could make another Ermotti return more likely: investors would surely be reassured to have someone around with his experience of large integrations.

Less ambitious executives might prefer to follow a combined 13 years in charge with a permanent vacation.

But after a decade and a half of restructuring, UBS could soon be on the front foot for a change. And the original purpose of a boomerang, after, all, is for hunting. Why would someone like Ermotti retire just when things are about to get fun?



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ACROSS

1 TV Times article Derek, for one, introduces (3,3)

4 New source of oats eaten by freezing horse? (8)

8 Maybe bears anxieties involving mostly roaming around (10)

9 Bungled a set point (4)

10 Community work by unconventional non-British composer (8)

12 Satellite they developed, breaking banks in Texas (6)

13 Suffer ruin, curable to some extent (5)

14 Ill-famed refusal injured suitor holding ring (9)

18 Quiet and flexible garden area (9)

21 Groom from pair once called round (5)

23 Haphazard ministry overthrown after what political candidate did? (6)

25 Hard-working boss is eating out, mainly (8)

26 Point of view finally established (4)

27 Flooding in delta flanked by essentially unlucky people (10)

28 Dismiss revolutionary band repeatedly (4-4)

29 Court action covered by backtracking press in Netherlands (6)

DOWN

1 Art of Building’s extravagant contest consuming 50% of City backing (9)

2 Wandering seaman turned up in Morecambe? (7)

3 Green poet angry over being sent up (5,4)

4 Point seven two four feet ultimately added to height (5)

5 Dish old gentleman upset that’s too much stuffing (7)

6 Public secret, not the first (5)

7 Do we agree IOU, say, roughly about a thousand? (1,3,3)

11 Clutching what looks like lifebelt, switch boat (5)

15 At last pays debt following test appointment (5)

16 Refuse to accept dessert in Surrey town, losing heart (9)

17 Wrong tips from girls hampering good boy in informal performances (9)

19 European imprisoned in keep given not entirely fiery dismissal (5,2)

20 Child climbing on a deer? Vice versa (7)

22 Smiley perhaps avoiding head of Circus causes strong feeling (7)

24 Wife’s brief service supported by church (5)

25 Second lad dropping back from silly point (5)*

Solution 18,266

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